Regulatory Story

Go to market news section

LXI REIT PLC - LXI Interim Results
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LXI REIT PLC
23 November 2017

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014. This announcement has been authorised for release by the Board of Directors.

LXi REIT plc (the "Company" or "LXi REIT")

INTERIM RESULTS FOR THE PERIOD FROM INCORPORATION TO 30 SEPTEMBER 2017

The Board of LXi REIT plc (ticker: LXI) is pleased to report its interim results for the period from incorporation to 30 September 2017.

FINANCIAL HIGHLIGHTS

- The NAV and EPRA NAV per share has increased to **105.01** pence as at 30 September 2017, an increase of **7.15%** from the 98.0 pence at the time of the Company's initial public offering ('IPO') in February 2017
- The Company and its subsidiaries' ('the Group') investment properties acquired within the period were independently valued on 30 September 2017 at £159,915,000 including all forward funded development commitments, representing an increase of approximately **8.5%** above the aggregate acquisition price (excluding acquisition costs). The properties have been valued on an individual basis. No portfolio premium has been applied
- Profit before tax for the period of **£9,683,912**
- An interim dividend of **1.0** pence per share in respect of the period from incorporation to 30 September 2017 will be paid on 29 December 2017, with payments to be made on a quarterly basis thereafter. The Company is on track to pay a minimum total dividend of **3.0** pence per share for the period from IPO until 31 March 2018 and a minimum total dividend of **5.0** pence per share for the period from 1 April 2018 until 31 March 2019, in line with the Company's stated target at launch*
- Loan to value ('LTV') ratio of **28.5%** as at 30 September 2017 with long-term 12-year debt of £55 million
- Aggregate all-in debt cost across the portfolio of **2.93%** pa, fully fixed for the 12-year loan term (expiring July 2029)
- The Company's IPO in February 2017 raised gross proceeds of £138 million at an issue price of 100 pence per share. The Company is listed on the premium listing segment of the Official List of the UK Listing Authority and was admitted to trading on the main market for listed securities of the London Stock Exchange on 27 February 2017

**these are targets only and not a profit forecast and there can be no assurance that they will be met.*

OPERATIONAL HIGHLIGHTS

- Net IPO proceeds and loan facility fully deployed within approximately six months, in line with the Company's stated target at launch
- Attractive average net initial property yield of 5.94%
- Long weighted average unexpired lease term ('WAULT') to first break of 24 years
- 96% of the income is index-linked or contains fixed uplifts
- Assets are broadly diversified across eight different defensive and robust sectors: hotels (30%), supported living (21%), care homes (13%), industrial (11%), car parks (11%), discount retail (6%), leisure (5%) and automotive (3%)
- The rental income is secured against 17 strong tenants, including Aldi, Costa Coffee, General Electric, Home Bargains, Motorpoint, Premier Inn, The Priory Group, Q-Park, SIG, Specialist Housing Associations, Starbucks and Travelodge
- Significant geographic diversification across 14 different counties in the UK
- The properties have been acquired via 25 separate purchase transactions, with an average lot size of £7 million and a good mix of pre-let forward funding, forward commitment and built asset structures

POST BALANCE SHEET HIGHLIGHTS

- Additional £60.2 million of gross proceeds raised on 12 October 2017 pursuant to a Placing of new shares at an issue price of 102.5 pence per share ('Second Issue')
- The Group has now fully deployed the net proceeds of its Second Issue. The headline statistics for the Group's current total portfolio acquired since IPO are:

  - £241 million of equity and debt capital deployed (excluding acquisition costs)

  - Attractive average net initial property yield of 6.0%

  - Long WAULT to first break of 24 years

  - 97% of the income is index-linked or contains fixed uplifts

  - Assets are diversified across eight defensive and robust sectors: hotels (25%), supported living (24%), care homes (22%), industrial (8%), car parks (8%), discount retail (6%), leisure (4%) and automotive (3%)

  - Rental income is secured against 19 strong tenants, including Aldi, Costa Coffee, General Electric, Home Bargains, Lidl, Motorpoint, Premier Inn, Prime Life, The Priory Group, Q-Park, SIG, Specialist Housing Associations, Starbucks and Travelodge

  - Significant geographic diversification across 18 different counties in England and Northern Ireland

  - The properties have been acquired, mainly off-market, via 30 separate purchase transactions, with an average lot size of £8 million and a good mix of pre-let forward funding, forward commitment and built asset structures
- The Company has agreed heads of terms for a second, long-term debt facility (subject to contract and credit committee approval), which is expected to legally complete in December. This facility will be used to fund the further acquisitions which are within the Company's immediate pipeline. The Company's loan-to-value ratio, aggregating this new facility and the Company's existing Scottish Widows loan, will be within its target ratio of 35%
- Market capitalisation now exceeds £200 million

Stephen Hubbard, Chairman of LXi REIT plc commented:

"The Group has performed strongly since its IPO in February this year, effectively executing on its stated objectives and in many areas exceeding its original expectations. We are already delivering excellent returns to our shareholders through a secure, diversified and growing index-linked income stream as well as attractive capital appreciation from across our long-let portfolio, reflecting our Investment Advisor's disciplined and value-led approach to investments. We remain confident about driving further value for our shareholders in the second half of the financial year and beyond and fulfilling our longer-term ambitions."

The Company's LEI is: 2138008YZGXOKAXQVI45

FOR FURTHER INFORMATION, PLEASE CONTACT:

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NOTES:

The Company invests in UK commercial property assets let, or pre-let, on very long (typically 20 to 30 years to expiry or first break), inflation-linked leases to a wide range of strong tenant covenants across a diverse range of property sectors.

The Company may invest in fixed-price forward funded developments, provided they are pre-let to an acceptable tenant and full planning permission is in place. The Company will not undertake any direct development activity nor assume direct development risk.

The Company is targeting a minimum annual dividend of 5 pence per ordinary share, starting from the financial period commencing 1 April 2018, with the potential to grow the dividend in absolute terms through upward-only inflation-protected long-term lease agreements, and is targeting a net total shareholder return of 8 per cent. plus per annum over the medium term[1].

The Company, a real estate investment trust ("**REIT**") incorporated in England and Wales, is listed on the premium listing segment of the Official List of the UK Listing Authority and was admitted to trading on the main market for listed securities of the London Stock Exchange in February 2017.

Further information on the Company is available at www.lxireit.com

Note 1: these are targets only and not a profit forecast and there can be no assurance that they will be met.

Chairman's statement

I am pleased to present the interim results for the Group for the period from its incorporation to 30 September 2017 (the 'Period'). The Company commenced business operations on 27 February 2017 when its ordinary shares ('Shares') were admitted to trading on the main market for listed securities of the London Stock Exchange, with gross proceeds of £138 million having been raised in the Company's IPO.

The Company has performed strongly since its launch, delivering on its stated objectives and meeting and in many areas exceeding our original expectations at IPO. The Company is advised by LXi REIT Advisors Limited (the 'Investment Advisor'), whose principals have built a successful track record in this sector and they continue to draw on their excellent network of relationships, experience and market intelligence. This allows the Company to source attractive investments, and coupled with the Investment Advisor's robust capital discipline, create value for our shareholders at the point of acquisition.

In accordance with the Company's investment policy, the net proceeds of the IPO have been invested in a portfolio of commercial property assets let, or pre-let, on very long, inflation-linked leases to a wide range of strong tenant covenants across a diverse range of property sectors.

As at 30 September 2017, the Group's portfolio consisted of 17 individually strong tenants across eight defensive and robust property sectors. Across the Group's assets, the average net initial yield was 5.94%, the WAULT to first break was 24 years and 96% of the income was index linked or had fixed uplifts. The portfolio was 100% let or pre-let and is a good mix of pre-let forward funding, forward commitment and built asset structures.

The Group's portfolio has been independently valued by Knight Frank LLP in accordance with the RICS Valuation - Professional Standards. As at 30 September 2017, the Group's portfolio had a market value of £159,915,000 including all forward funded development commitments, representing an increase of approximately 8.5% above the aggregate acquisition price (excluding acquisition costs). The properties have been valued on an individual basis. No portfolio premium has been applied.

We have seen significant support from existing shareholders and welcomed a number of new investors in October 2017, when the Company completed an additional issue of Shares, raising gross proceeds of £60.2 million and taking the market capitalisation to over £200 million.

FINANCIAL RESULTS

The NAV and EPRA NAV per share has increased to 105.01 pence as at 30 September 2017, an increase of 7.15% from the 98.0 pence at the time of the Company's IPO in February 2017.

The asset value growth reflects: (i) the discount achieved on forward funding pre-let developments in small lot sizes, (ii) early mover advantage in growth sectors, (iii) yield compression in the wider long-lease sector and (iv) the off-market nature of the vast majority of the Company's acquisitions.

Four pre-let forward funded acquisitions with a total purchase price of c. £30 million were not included in the period end valuation as although they exchanged prior to 30 September 2017, they had not legally completed as at that date. This provides further asset value growth potential.

The operating profit of the Group for the Period was £9,683,912.

DIVIDENDS

The Company has declared its first interim dividend of 1.0 pence per Share, which will be payable on 29 December 2017 to shareholders on the register at 1 December 2017, with dividends payable quarterly thereafter.

The Board is currently targeting an aggregate dividend of at least 3.0 pence per Share for the first full financial period to 31 March 2018 and a minimum total dividend of 5.0 pence per Share for the full financial period to 31 March 2019, in line with the Company's stated target at launch.

FINANCING

The Group entered into a new, 12-year, interest only, £55 million (28.5% LTV) loan agreement with Scottish Widows at an all-in fixed rate of 2.93% pa, expiring in July 2029. This provides a wide spread (over 300 basis points) between the current average net initial property yield of 5.94% and the 2.93% per annum fixed rate.

OUR TENANTS

The Group's rental income was secured against 17 strong tenants, including Aldi, Costa Coffee, General Electric, Home Bargains, Motorpoint, Premier Inn, The Priory Group, Q-Park, SIG, Specialist Housing Associations, Starbucks and Travelodge. We work hard to develop a collaborative and long-term relationship with all of our tenants and we continually strive to work in partnership with them.

CORPORATE GOVERNANCE

The Group benefits from a strong board with substantial real estate, financial, commercial and operating experience and has the appropriate sub-committees (including Audit Committee and Management Engagement Committee), which meet on a regular basis. The Board is responsible for leading and controlling the Company and has overall authority for the management and conduct of the Company's business, strategy and development. The Board also approves in advance each potential property acquisition, along with other significant matters, including debt facilities and material appointments.

THE INVESTMENT ADVISOR

LXi REIT has appointed LJ Capital Limited as LXi REIT's alternative investment fund manager (the 'AIFM'). LXi REIT and the AIFM have appointed LXi REIT Advisors Limited ('LXi REIT Advisors') as the Company's Investment Advisor to provide certain services in relation to LXi REIT and its portfolio, including sourcing and advising on investments for acquisition by LXi REIT and due diligence in relation to proposed investments.

LXi REIT Advisors has provided the Group with access to investment opportunities at attractive pricing through the Investment Advisor's long-established industry contacts and extensive knowledge of the sector. The Investment Advisor has achieved a prominent position in developing and acquiring long income properties and this expertise and network of contacts provides the Group with access to off-market transactions and specialised pre-let forward funding opportunities.

POST-BALANCE SHEET MATTERS

We were delighted that Shareholders continued to support our growth plans by subscribing for an additional £60.2 million of equity in October 2017 pursuant to a Placing of new shares at an issue price of 102.5 pence per share ('Second Issue').

The Company has now fully deployed the net proceeds of its Second Issue. The headline statistics for the Group's total portfolio acquired since IPO are:

- £241 million of equity and debt capital deployed (excluding acquisition costs)
- Attractive average net initial property yield of 6.0%
- Long weighted average unexpired lease term to first break of 24 years
- 97% of the income is index-linked or contains fixed uplifts
- Assets are diversified across eight robust sectors: hotels (25%), supported living (24%), care homes (22%), industrial (8%), car parks (8%), discount retail (6%), leisure (4%) and automotive (3%)
- Rental income is secured against 19 strong tenants, including Aldi, Costa Coffee, General Electric, Home Bargains, Lidl, Motorpoint, Premier Inn, Prime Life, The Priory Group, Q-Park, SIG, Specialist Housing Associations, Starbucks and Travelodge

The Group has also now agreed heads of terms for a second, long-term debt facility (subject to contract and credit committee approval), which is expected to legally complete in December 2017. This facility will be used to fund the further acquisitions which are within the Group's immediate pipeline. The Group's loan-to-value ratio, aggregating this new facility and the Group's existing Scottish Widows loan, will be within its target ratio of 35%.

OUTLOOK

The Group has performed strongly since the Company's IPO in February this year, effectively executing on its stated objectives and in many areas exceeding its original expectations. We have acquired a high quality portfolio of assets, diversified by sector, strong tenant covenant and geography, at attractive yields and in line with our investment policy.

We are already delivering excellent returns to our shareholders through a secure, diversified and growing index-linked income stream as well as attractive capital appreciation from across our long-let portfolio, reflecting our Investment Advisor's disciplined and value-led approach to investments.

Following the successful full deployment from our second equity fundraise, the Company is continuing to build on this growth momentum and expects its pipeline of attractive additional investment opportunities to further enhance its portfolio. We remain confident about driving further value for our shareholders in the second half of the financial year and beyond and fulfilling our longer-term ambitions.

Finally, I would like to thank shareholders, my fellow Directors and the Group's Investment Advisor for their support since the Company's launch.

Stephen Hubbard
Chairman

23 November 2017

Investment Advisor's report

LXi REIT plc is a real estate investment trust targeting attractive inflation-protected income and capital returns through a diversified portfolio of very long-let and index-linked UK property assets. The Company is listed on the premium listing segment of the Official List of the UK Listing Authority and was admitted to trading on the main market for listed securities of the London Stock Exchange on 27 February 2017.

The Group has effectively executed its investment strategy of delivering inflation-protected income and capital returns underpinned by a portfolio of secure, long-let and index-linked property assets, highly diversified by sector, tenant and geography.

This has been a successful and active period for the Group and we are well positioned to continue to deliver on the Company's investment strategy and target returns to the Company's investors through our robust long-established relationships and experience in the sector underpinned by our value-led approach to investments.

DELIVERING ATTRACTIVE GROWING INCOME AND CAPITAL GROWTH

The Group's investment properties acquired within the period were independently valued on 30 September 2017 by Knight Frank LLP at £159,915,000 including forward funded commitments (a 5.4% blended Net Initial Yield), representing an increase of approximately 8.5% above the aggregate acquisition price (excluding acquisition costs). The properties have been valued on an individual basis. No portfolio premium has been applied.

The NAV and EPRA NAV per share has increased to 105.01 pence as at 30 September 2017, an increase of 7.15% from the 98.0 pence at the time of the Company's IPO in February 2017.

The asset value growth reflects, inter alia:

- the discount achieved on forward funding pre-let developments in small lot sizes (c. 50 to 100 basis points);
- early mover advantage in growth sectors where yields have compressed (including supported living and discount retail);
- yield compression in the wider long-lease sector in recent months, resulting from increased demand; and
- the off-market nature of the vast majority of the Group's acquisitions.

MULTI-SECTOR DIVERSIFICATION
AS AT 30 SEPTEMBER 2017

	% of portfolio valuation
Hotels	30%
Supported living	21%
Care homes	13%
Industrial	11%
Car parks	11%
Discount retail	6%
Leisure	5%
Automotive	3%

MULTI-SECTOR DIVERSIFICATION
AS AT TODAY

	% of portfolio valuation
Hotels	25%
Supported living	24%
Care homes	22%
Industrial	8%
Car parks	8%
Discount retail	6%
Leisure	4%
Automotive	3%

Four pre-let forward funded acquisitions with a total purchase price of c. £30 million were not included in the period end valuation as although they exchanged prior to 30 September 2017, they had not legally completed as at that date. This provides further asset value growth potential.

The profit before tax for the period was £9,683,912.

The Board has approved an interim dividend of 1.0 pence per share in respect of the period from incorporation to 30 September 2017 to be paid on 29 December 2017, with payments to be made on a quarterly basis thereafter. The Company is on track to pay a minimum total dividend of 3.0 pence per share for the period from IPO until 31 March 2018 and a minimum total dividend of 5.0 pence per share for the period from 1 April 2018 until 31 March 2019, in line with the Company's stated target at launch.

PORTFOLIO OVERVIEW

The headline statistics for the portfolio, as at 30 September 2017, were:

Average net initial yield	5.94%
WAULT to first break	24 years

Index-linked income or fixed uplifts	96%
Tenants	17
Property sectors	8
Separate property acquisitions	25

LXi REIT fully deployed the net proceeds of its £138 million IPO and £55 million debt facility within approximately six months of listing on 27 February 2017.

LXi REIT has acquired assets with a long WAULT to first break of 24 years - which is one of the longest in the sector. The assets have been let to a wide range of tenants with strong financials and a proven long-term operating track record across a diverse range of property/industry sectors and locations.

As at 30 September 2017, the portfolio comprised of 17 individually strong tenants across eight defensive and robust property sectors and diversified over 14 different counties in the UK.

The Group's highly diversified portfolio is rare and such diversification provides a defensive and secure portfolio and has allowed the Group to avoid overheated sectors and locations in order to find real value and growth potential. In addition, by being cross-sector, the Group has been able to obtain early mover advantage in sectors where yields are expected to compress (such as supported living and discount retail) and act in an opportunistic manner to achieve attractive pricing due to particular vendor circumstance.

TENANT DIVERSIFICATION
AS AT 30 SEPTEMBER 2017

	% of portfolio valuation
Housing Associations (multiple tenants)	21%
Travelodge	14%
The Priory Group	13%
Q-Park	11%
QHotels	10%
Premier Inn	7%
General Electric	6%
SIG	5%
Aldi	3%
Motorpoint	3%
Home Bargains	2%
Costa Coffee, KFC, Heron Foods, Subway, Starbucks and Greggs (combined)	5%

TENANT DIVERSIFICATION
AS AT TODAY

	% of portfolio valuation
Housing Associations (multiple tenants)	24%
Prime Life	12%
Travelodge	11%
The Priory Group	10%
Q-Park	8%
QHotels	8%
Premier Inn	8%
General Electric	5%
SIG	4%
Aldi	2%
Motorpoint	2%
Lidl	2%
Home Bargains	1%
Costa Coffee, KFC, Heron Foods, Subway, Starbucks and Greggs (combined)	3%

Over 96% of the Group's assets contain rent reviews linked to RPI or CPI inflation (or a fixed annual growth rate) thus providing strong inflation-protected income across the Group's portfolio. As at 30 September 2017:

- approximately 25% of assets, by value, had no caps on rental growth

- of the balance which had such caps, the average cap was approximately 4.1% per annum (and the average minimum was approximately 1.1% per annum)
- approximately 40% of assets, by value, had annual rent reviews, with the balance on five yearly review cycles
- the assets with five yearly review cycles benefit from a staggering of the next review date (e.g. some have their five-yearly review within the next one, two and three years)
- of the 96% with index-linked or fixed uplifts, approximately 50% had CPI linked rent reviews, 40% had RPI linked rent reviews and 10% had fixed rental uplifts

All of the assets acquired by the Group benefit from triple net, full repairing and insuring leases. These lease agreements oblige the tenants to pay all taxes, building insurance, other outgoings and repair and maintenance costs on the property, in addition to the rent and service charge, therefore avoiding any property cost leakage for the Group.

STRATEGIES FOR DELIVERING VALUE AND GROWTH

The Investment Advisor employs a number of techniques to secure assets for the Group at an attractive initial yield, without compromising on the asset quality, security or lease length, including:

- the multi-sector approach, which allows for opportunistic buys across a large universe of assets to find value;
- forward funding pre-let developments to benefit from materially lower purchase costs (approximately 3% versus 6.8%) as well as a significant discount to built values (circa 50 to 100 basis points), especially in smaller lot sizes;
- targeting smaller lot sizes generally (averaging £8m per acquisition to date), which are below the radar of most institutions;
- acquiring the vast majority of its assets through off-market purchases identified via the Investment Advisor's extensive contacts and relationships, driven by its reputation for speed and certainty of transacting;
- avoiding over-heated sectors and locations where yields are at historic lows;
- repeat business with longstanding counterparty relationships, including developers, vendors and agents; and
- early mover advantage in under-exploited sectors, such as specialist supported living and discount retail

STRONG RESIDUAL LAND VALUE

In addition to robust tenants and long, index-linked leases, the Group targets assets which possess strong residual land value which will preserve capital values. For example, the Group has acquired properties:

- which are of strategic importance to the tenant;
- with strong underlying trading performance;
- located in areas with a large catchment population;
- with low starting rents; and
- with strong alternative use value.

LONG LEASES

The Group has been able to acquire assets with long leases:

- where there are very competitive tenant markets with multiple competing operators, coupled with limited supply of stock, such as budget hotels (for example, Premier Inn, Travelodge, Accor, Motel One and Holiday Inn) and discount retailers (for example, Aldi, Lidl, B&M and Home Bargains);
- where assets are of strategic importance to the particular tenant, such as its headquarters office or main production plant; and
- where tenants are used to long-term freehold ownership, such as GE, Premier Inn, Lidl and Aldi.

FORWARD FUNDING PRE-LET DEVELOPMENTS

The Group's portfolio consists of a mix of built and forward funded assets. As at 30 September 2017, approximately 35% of the portfolio was structured as forward fundings/forward commitments.

These forward funding assets are pre-let developments which benefit from materially lower purchase costs as well as significant discounts to built values.

This approach to forward funded pre-let developments, especially in the lower lot sizes, has allowed the Group to source high quality, lower-priced assets (compared to their completed value) with reduced competition and lower transaction costs, than could be delivered from purely targeting built assets.

On all forward funded acquisitions the following risk mitigants were put in place prior to acquisition:

- the Group will pay a fixed price for the forward funded purchase, covering land, construction cost and developer's profit - all cost overruns will be the responsibility of the developer/contractor;
- full planning consent must be in place;
- a suitable tenant pre-let must be in place;
- the developer will receive their profit only when the asset achieves practical completion;
- if there is a delay to completion of the works, this will be a risk for the developer/contractor, as they pay the Group a licence fee, which is treated as a discount to the overall cost of the asset, to the date that practical completion occurs;
- the contractor will be a reputable entity with a proven track record and will provide a parent company guarantee or performance bond; and
- a full suite of warranties will be provided by the main contractor and professional team.

MARKET OPPORTUNITY - RENTAL GROWTH

Inflation has historically outpaced open-market rent reviews and it has been steadily increasing since the EU referendum result in June 2016, which triggered a decline in the value of the pound and pushed up the cost of imported goods. As set out below, the anticipated continuing outperformance of inflation over open market rental growth forecasts is expected to prove advantageous to the Group's rental growth.

The HM Treasury Forecasts for the Economy (August 2017) shows an average RPI growth forecast of 3.2% per annum and an average CPI growth forecast of 2.3% per annum from 2017 to 2021 (see below). The Investment Property Forum UK Consensus Forecasts Report (Summer 2017) shows an average open market rental growth forecast of 0.9% per annum from 2017 to 2021 (see below), which is materially lower than the above mentioned HM Treasury RPI and CPI growth forecasts.

RPI AND CPI FORECAST

Year	RPI pa	CPI pa
2017	3.5%	2.7%
2018	3.5%	2.6%
2019	3.0%	2.2%
2020	3.0%	1.9%
2021	3.0%	1.9%
Average growth forecast pa	3.2%	2.3%

Source: HM Treasury Forecasts for the Economy (August 2017)

OPEN MARKET RENTAL GROWTH FORECAST

Year	Open market rental growth pa
2017	0.9%
2018	0.2%

2019	0.6%
2020	1.2%
2021	1.6%
Average rental growth pa	0.9%

Source: Investment Property Forum UK Consenus Forecasts (Summer 2017)

With strong inflation and more pedestrian open market rental growth, the Group has strategically aimed to take advantage of this economic reality with 96% of its passing rent being inflation-linked or containing fixed uplifts as at 30 September 2017.

This climate of continuing inflation together with the fixed low cost of debt (as detailed below) which the Group has secured, is expected to allow for:

- higher rental growth via rental increases in line with inflation;
- enhanced dividend yield due to substantial free cash flows generated via the 300 bps spread between triple-net rental income (5.94% average NIY) and low fixed cost of debt (2.93% pa) - rising to potentially 550 bps by expiry of the 12-year loan facility; and
- capital growth through: (i) the capitalisation of rental increases following rent reviews; (ii) acquiring mispriced assets where the seller is driven by factors other than price; and (iii) the net purchase price on forward funding assets being a significant discount to completed values and therefore, providing scope for 'natural' yield compression as soon as the property is constructed.

DEBT FINANCE

The Group entered into a new, 12-year interest-only, fixed-rate, £55 million term loan agreement with Scottish Widows on 4 July 2017 (the 'Facility').

The Facility is repayable on 3 July 2029 and has a fixed all-in rate payable of 2.93% per annum, for the duration of the 12-year loan term.

This fixed interest rate is 300 basis points lower than the Group's average net initial yield on property acquisitions of 5.94% and this spread is expected to rise to approximately 550 bps by expiry of the 12-year loan facility (see below). The rate of 2.93% is highly accretive to the Group's anticipated future dividend and mitigates potential interest rate and refinancing risks for the 12-year period.

The Facility is secured against both the built and forward funded assets acquired by the Group utilising the equity raised on admission in February 2017.

The full drawing of the Facility reflects a loan-to-value ratio of 28.5%. As set out in the Group's investment policy, the Group will maintain a conservative level of aggregate borrowings with a medium-term target of 30% of the Group's gross assets and a maximum level of aggregate borrowings of 35% of the Group's gross assets.

The Group has also now agreed heads of terms for a second, long-term debt facility (subject to contract and credit committee approval), which is expected to legally complete in December. This facility will be used to fund the further acquisitions which are within the Group's immediate pipeline. The Group's loan-to-value ratio, aggregating this new facility and the Group's existing Scottish Widows loan, will be within its target ratio of 35%.

SECOND RAISE AND FURTHER ACQUISITIONS

The Company raised an additional £60.2 million of gross equity proceeds on 12 October 2017 pursuant to a Placing of new shares at an issue price of 102.5 pence per share ('Second Issue'), taking the market capitalisation to over £200 million.

The Company has now fully deployed the net proceeds of its Second Issue. The headline statistics for the Group's total portfolio acquired since IPO are:

- £241 million of equity and debt capital deployed (excluding acquisition costs)
- Attractive average net initial property yield of 6.0%
- Long WAULT to first break of 24 years
- 97% of the income is index-linked or contains fixed uplifts

- Assets are diversified across eight robust sectors: hotels (25%), supported living (24%), care homes (22%), industrial (8%), car parks (8%), discount retail (6%), leisure (4%) and automotive (3%)
- Rental income is secured against 19 strong tenants, including Aldi, Costa Coffee, General Electric, Home Bargains, Lidl, Motorpoint, Premier Inn, Prime Life, The Priory Group, Q-Park, SIG, Specialist Housing Associations, Starbucks and Travelodge
- Significant geographic diversification across 18 different counties in England and Northern Ireland
- The properties have been acquired, mainly off-market, via 30 separate purchase transactions, with an average lot size of £8 million and a good mix of pre-let forward funding, forward commitment and built asset structures

OUTLOOK

We are very pleased with the Group's strong performance during what was a very active period, underlining our ability to successfully source and execute on attractively priced, very long-let and index-linked UK property assets leased to institutional-grade tenants.

We are confident of continuing to create value for the Company's shareholders right from the point of acquisition, through investing, largely off-market, in forward funded pre-let developments in smaller lot sizes and moving early into growth sectors across the long-let property space in the UK, which is itself benefiting from yield compression.

We are optimistic about continuing to deliver attractive inflation-protected income and capital growth to the Company's shareholders over the short and longer term through our diversified portfolio as well as from our growing pipeline of attractive investments.

Property portfolio

As at 30 September 2017

Tenant/Guarantor	*Sector*	*Location*	*Unexpired lease term to first break*	*Rent Review*	*Price (£)*	*Net Initial Yield*	*Date of acquisition*	*Structure*
GE UK Group	Headquarters office and manufacturing facility	Cramlington, Northumberland	20 years	RPI	11m	5.75%	March 2017	Forward funding
Q-Park N.V.	Multi-storey car park	Sheffield	28 years	RPI	19.1m	5.20%	March 2017	Built
Travelodge, Starbucks & Greggs	Budget hotel and drive-thru coffee shop	Melksham, near Bath	23 years	CPI, RPI & OMV	6.2m	5.91%	March 2017	Forward funding
Travelodge	Budget hotel	Haverhill, Essex	24 years	RPI	5.5m	5.92%	March 2017	Built
Premier Inn	Budget hotel & Beefeater restaurant	Whitley Bay, North Tyneside	20 years	CPI	6.25m	5.00%	April 2017	Forward commitment
QHotels Holdings Limited	Four-star hotel	Cambridge	22 years	CPI	18.5m	6.10%	April 2017	Built
Aldi, Home Bargains, Heron Foods, Starbucks & Greggs	Discount food stores	Bradford	20 years	RPI & OMV	11m	6.15%	May 2017	Forward funding
Travelodge, Starbucks & Subway	Budget hotel and drive-thru	Swindon	23 years	CPI, RPI & OMV	8.3m	5.80%	May 2017	Forward funding

	coffee shop and restaurant							
SIG (Trading) Limited	Manufacturing facility	Carlisle	25 years	RPI	9.3m	7.0%	June 2017	Built
Priory Group	Care home	Leeds	22.8 years	RPI	8.4m	6.30%	June 2017	Built
Housing Associations	Supported Living	Across England	25 years	CPI	36m	6.0%	June, July & August 2017	Built
Travelodge	Budget hotel	Ipswich	20 years	RPI	5m	6.12%	July 2017	Built
Travelodge, Costa Coffee & KFC	Budget hotel	Camborne, Cornwall	22 years	CPI & OMV	6.7m	6.15%	July 2017	Forward funding
Priory Group	Care home	Northern Ireland	29 years	Fixed 2.5% pa	14.9m	6.50%	August 2017	Built/Forward commitment
Premier Inn/Whitbread Group plc	Budget hotel	Middlesbrough	20 years	CPI	6.2m	5.10%	August 2017	Forward commitment
Motorpoint Limited	Automotive	Burnley	19.8 years	RPI	5.7m	6.50%	August 2017	Built
			24 years WAULT			**5.94% Average NIY**		

Investment objective and policy (summary)

LXi REIT's investment objective is to deliver inflation-protected income and capital growth over the medium-term for shareholders through investing in a diversified portfolio of UK property, that benefits from long-term index-linked leases with institutional-grade tenants.

LXi REIT will seek to acquire high quality properties that meet the following key investment considerations:

- the properties will be let or pre-let to institutional grade tenants, with strong financials and a proven operating track record;
- very long unexpired lease terms (typically 20 to 30 years to expiry or first break);
- rent reviews to be inflation-linked or contain fixed uplifts; and
- each property should demonstrate strong residual land value characteristics.

LXi REIT will target a wide range of sectors, including hotels, supported living, healthcare, industrial, leisure, discount retail, office and other alternatives. It will also focus on growth sub-sector areas such as discount retailers, budget hotel operators and specialist supported living.

LXi REIT will not undertake any direct development activity nor assume direct development risk. However, LXi REIT may invest in fixed-price forward funded developments, provided they are pre-let to an acceptable tenant and full planning permission is in place. In such circumstances, LXi REIT will seek to negotiate the receipt of immediate income from the asset, such that the developer is paying LXi REIT a return on its investment during the construction phase and prior to the tenant commencing rental payments under the terms of the lease.

Principal risks and uncertainties

The Prospectus issued in February 2017 includes details of the risks faced by the business. The Board considers that the principal risks and uncertainties faced by the Group are as follows:

INVESTMENT OBJECTIVE AND STRATEGY RISKS	
Description	**Mitigating action**
There are a number of risks associated with the Group and its investment strategy and operations. The Group's investment objective includes the aim of providing shareholders with an income. The payment of future dividends and the level of any future dividends paid by the Company is subject to the discretion of the Directors and will depend upon, amongst other things, the Company successfully pursuing its investment policy and the Group's earnings, financial position, cash requirements, level and rate of borrowings and availability of distributable reserves, as well as the provisions of relevant laws or generally accepted accounting principles from time to time. The Group will face competition from other property investors. Competitors may have greater financial resources than the Group and a greater ability to borrow funds to acquire properties. Competition in the property market may also lead either to an oversupply of properties in the target market through over development or the price of existing properties being driven up through competing bids by potential purchasers.	The Board has set the overall investment objective and strategy of the Group. The Board reviews the performance of the Group against its investment objective at quarterly Board meetings. The Investment Advisor monitors the Group's financial position and returns on an ongoing basis. The Company's Investment Advisor has long standing relationships and an extensive track record.
REAL ESTATE RISKS	
Description	**Mitigating action**
Dividends payable by the Group will be dependent on the income from the properties it owns. Failure by tenants to comply with their rental obligations could affect the ability of the Company to pay dividends to shareholders. The Group invests in commercial properties. Such investments are illiquid; they may be difficult for the Group to sell and the price achieved on any realisation may be at a discount to the prevailing valuation of the relevant property. Any property market recession or future deterioration in the property market could have a material adverse effect on the Group. Property is inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty and there can be no assurance that the estimates resulting from the valuation process will reflect actual sales prices that could be realised by the Group in the future.	The Group only acquires assets let to strong tenants with proven operating track records who will be able to pay the rents as and when they are due. The aim of the Group is to hold the assets for long-term income. The Company acquires properties with low loan to value ratios and there is significant headroom in the loan to value default covenant of the Scottish Widows facility agreement meaning the portfolio will be resilient to any recession. An experienced independent third party valuer has been appointed.
ACCOUNTING, LEGAL AND REGULATORY RISKS	
Description	**Mitigating action**
Failure to adhere to accounting, legal and regulatory requirements could result in material adverse consequences to the Group. If the Group fails to qualify or remain qualified as a REIT, the Group will be subject to UK corporation tax on some or all of its property rental income and chargeable gains on the sale of properties, which would reduce the amounts available to distribute to Shareholders.	The Investment Advisor monitors compliance with REIT status. The Group has appointed experienced third-party tax advisers to assist with tax compliance matters with appropriate relevant experience. Calculation of dividend is to be carried out by the Administrator before review by the AIFM and Investment Advisor. The performance of the service providers is regularly reviewed by the Board.
ABILITY TO SECURE FURTHER FINANCE	
Description	**Mitigating action**

The Group intends to secure borrowing facilities in the future to pursue the Group's investment objective. It is not certain that such facilities will be available on acceptable terms or at all.	The Group has agreed heads of terms for a second, long-term debt facility (subject to contract and credit committee approval), which is expected to legally complete in December.

UK EXIT FROM THE EUROPEAN UNION

A referendum was held on 23 June 2016 to decide whether the UK should remain in the EU. A vote was given in favour of the UK leaving the EU ('Brexit'). The extent of the impact on the Group will depend in part on the nature of the arrangements that are put in place between the UK and the EU following Brexit and the extent to which the UK continues to apply laws that are based on EU Legislation. It could also potentially make it more difficult for the Group to raise capital in the EU and/or increase the regulatory compliance burden on the Group.

Directors' responsibility statement

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the operating and financial review comprising this report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority namely:

- an indication of important events that have occurred during the Period and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial period; and
- disclosure of any material related party transactions in the Period are included in Note 21 to the Financial Statements.

A list of the Directors is shown at the rear of the Interim Report.

Shareholder information is as disclosed on the LXi REIT plc website.

For and on behalf of the Board

Stephen Hubbard
Chairman

23 November 2017

Independent review report to LXi REIT plc

INTRODUCTION
We have been engaged by the Company to review the condensed set of financial statements in the interim report for the period from 21 December 2016 to 30 September 2017, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

DIRECTORS' RESPONSIBILITIES
The interim financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 2, the annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

OUR RESPONSIBILITY
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

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

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

CONCLUSION
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the period from 21 December 2016 to 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants
London
United Kingdom
23 November 2017

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

Consolidated statement of comprehensive income

For the period from 21 December 2016 to 30 September 2017

	Note	From 21 December 2016 to 30 September 2017 Unaudited £
Income		
Rental income	5	2,635,409
Other income		1,855
Total income		**2,637,264**
Expenses		
General and administrative expenses	6	(1,127,136)

Total expenses		**(1,127,136)**
Change in fair value of investment property	10	8,501,392
Operating profit		**10,011,520**
Finance income	7	7,658
Finance costs	8	(335,266)
Profit for the period before tax		**9,683,912**
Taxation	9	-
Comprehensive income for the period		**9,683,912**
		9,683,912
Earnings per share - basic	26	**9.26p**
Earnings per share - diluted	26	**9.26p**

All amounts reported in the Consolidated Statement of Comprehensive Income for the period ended 30 September 2017 relate to continuing operations.

Earnings per share has been based on the weighted average number of ordinary shares in issue during the period from 21 December 2016 to 30 September 2017.

The accompanying notes in this report form an integral part of these financial statements.

Consolidated statement of financial position

As at 30 September 2017

	Note	As at 30 September 2017 Unaudited £
ASSETS		
Non-current assets		
Investment property	10	144,233,222
Total non-current assets		144,233,222
Current assets		
Trade and other receivables	11	3,483,266
Deferred acquisition costs		2,447,328
Restricted cash	12	13,918,398
Cash and cash equivalents	12	29,156,227

Total current assets		**49,005,219**
Total assets		193,238,441
LIABILITIES		
Current liabilities		
Trade and other payables	13	4,015,677
Total current liabilities		**4,015,677**
Non-current liabilities		
Bank borrowings	14	44,151,852
Total non-current liabilities		**44,151,852**
Total liabilities		**48,167,529**
Total net assets		**145,070,912**
Equity		
Share capital	15	1,381,500
Share premium reserve	16	-
Capital reduction reserve	17	134,005,500
Retained earnings	18	9,683,912
Total equity		**145,070,912**
Net asset value per share - basic	27	**105.01p**
Net asset value per share - diluted	27	**105.01p**
EPRA net asset value per share	27	**105.01p**

Consolidated statement of changes in equity

As at 30 September 2017

	Note	Share capital £	Share premium reserve £	Capital reduction reserve £	Retained earnings £	Total equity £
As at 21 December 2016 (Unaudited)		**-**	**-**	**-**	**-**	**-**
Issue of ordinary shares in the period	15	1,381,500	136,768,500	-	-	138,150,000
Share issue costs paid	16	-	(2,763,000)	-	-	(2,763,000)

Cancellation of share premium	16,17	-	(134,005,500)	134,005,500	-	-
Comprehensive income for the period		-	-	-	9,683,912	9,683,912
Balance at 30 September 2017 (Unaudited)		**1,381,500**	**-**	**134,005,500**	**9,683,912**	**145,070,912**

Consolidated cash flow statement

For the period ended 30 September 2017

	Note	From 21 December 2016 to 30 September 2017 Unaudited £
Cash flows from operating activities		
Profit before income tax		9,683,912
Adjustments for:		
Interest paid	8	335,266
Interest received	7	(7,658)
Change in fair value of investment	10	(8,501,392)
Operating results before working capital changes		**1,510,128**
Increase in trade and other receivables		(3,483,266)
Increase in trade and other payables		1,877,438
Net cash flow generated from operating activities		**(95,700)**
Cash flows from investing activities		
Purchase of investment properties		(133,593,591)
Deferred acquisition costs		(2,447,328)
Interest received	7	7,658
Net cash flow used in investing activities		**(136,033,261)**
Cash flows from financing activities		
Proceeds from shares issued in the period		138,150,000
Share issue costs paid		(2,763,000)
Interest paid	8	(335,266)
Bank borrowings drawn	14	31,081,602
Loan arrangement fees paid	14	(848,148)
Net cash flow generated from financing activities		**165,285,188**

Net increase in cash and cash equivalents		**29,156,227**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	12	**29,156,227**

Notes to the financial statements

1. Corporate information

LXi REIT plc was incorporated as a Public Company in England and Wales on 21st December 2016. The Company's registration number is 1053508. The Company's shares are listed on the London Stock Exchange. The address of the registered office is given at the end of this report.

The principal activity of LXi REIT plc and its subsidiaries (the 'Group'), is to deliver inflation protected income and capital growth over the medium-term for shareholders through investing in a diversified portfolio of UK property that benefits from long-term index-linked leases with institutional-grade tenants.

2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting, as adopted by the European Union.

The financial information contained in this unaudited interim report and financial statements does not constitute statutory financial statements as defined in section 435(1) of the Companies Act 2006. The financial information for the period ended 30 September 2017 has been reviewed and reported by the Company's Auditor and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. As this is the Company's first accounting period, annual statutory financial statements have not yet been filed with the Registrar of Companies.

The following are new standards, interpretations and amendments, which are not yet effective and have not been early adopted in this financial information, that will or may have an effect on the Company's future financial statements:

- IFRS 9 Financial Instruments. The standard will replace IAS 39 Financial Instruments and contains two primary measurement categories for financial assets (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from contracts. The standard replaces IAS 11 Construction Contracts and IAS 18 Revenue. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases: introduction of a single, on-balance sheet accounting model for leases which refers primarily to accounting for lessees (effective for annual periods beginning on or after 1 January 2019). The accounting and disclosure requirements of IFRS 16 will be considered in due course.

The Directors have given due consideration to the impact on the consolidated financial statements of the standards listed above (effective for annual periods beginning on or after 1 January 2018) and at present they do not anticipate that the adoption of these standards and interpretations will have a material impact on the consolidated financial statements in the period of initial application, other than on presentation and disclosure. The Directors are still considering the impact of IFRS 16 (effective for annual periods beginning on or after 1 January 2019) and findings will be presented in the Group's annual report.

GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ('IFRS'), as adopted by the European Union and under the historic cost modified by revaluation of investment property held at fair value through profit and loss.

The Group benefits from a secure income stream from long leases with its tenants, which is not overly reliant on any one tenant and present a well-diversified risk. The Group's cash balances as at 30 September 2017 was £29.2 million which was readily available and £13.9 million which is restricted (note 12). It also had undrawn amounts under its debt facility of a further £10 million. The Group did have capital commitments totalling £15.7 million (note 24), plus a contingent liability reflecting the conditional exchange of contracts on properties with an investment price of £47.9 million (note 25).

As a result, the Directors believe that the Group is well placed to manage its financing and other business risks and that the Group will remain viable, continuing to operate and meets its liabilities as they fall due.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and are, therefore, of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

FUNCTIONAL AND PRESENTATION CURRENCY

The functional and presentation currency of the Group is the British Pound.

3. Significant accounting judgements, estimate and assumptions

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

VALUATION OF INVESTMENT PROPERTIES

The valuation of the Group's investment property is at fair value as determined by the independent valuer on the basis of market value in accordance with the internationally accepted RICS Valuation - Global Standards 2017, incorporating the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015) and in accordance with IFRS 13 and IAS 40.

The independent valuer in forming its opinion make a series of assumptions, which are typically market related, such as net initial yields and expected rental values and are based on the independent valuer's professional judgement. The independent valuer has sufficient current local and national knowledge of the particular property markets involved and has the skills and understanding to undertake the valuations competently.

BUSINESS COMBINATIONS

The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises and the disclosures applicable to business combinations are not included.

All corporate acquisitions during the period have been treated as asset purchases rather than business combinations because no integrated set of activities were acquired.

OPERATING LEASE CONTRACTS - THE GROUP AS LESSOR

The Group has acquired investment properties that are subject to commercial property leases with tenants. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise of the financial statements of the Group as at the period end date.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

If an equity interest in a subsidiary is transferred but a controlling interest continues to be held after the transfer then the change in ownership interest is accounted for as an equity transaction.

Accounting policies of the subsidiaries are consistent with the policies adopted by the Company.

INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost, being the fair value of the consideration given, including expenditure that is directly attributable to the acquisition of the investment property. After initial recognition, investment property is stated at its fair value at the balance sheet date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise in the statement of comprehensive income.

Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure. Ongoing repairs and maintenance are expensed as incurred.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is incurred in profit or loss in the period in which the property is derecognised.

Deferred acquisition costs represent costs incurred on investment properties which were acquired after the period end and subsequently capitalised.

Significant accounting judgements, estimates and assumptions made in the valuation of investment properties are discussed in note 3.

FAIR VALUE HIERARCHY

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group has determined that it retains all the significant risks and rewards of ownership of the properties and accounts for the contracts as operating leases as discussed in note 3.

Properties leased out under operating leases are included in investment property in the consolidated statement of financial position. Rental income from operating leases is recognised on a straight line basis over the expected term of the relevant leases.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and deposits held at call with banks. Cash and cash equivalents also includes cash held by lawyers for subsequent completions.

TAXATION

Taxation on the profit or loss for the period not exempt under UK REIT regulations is comprised of current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised as direct movement in equity, in which case it is recognised as a direct movement in equity. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax that is provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

BANK BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are amortised over the lifetime of the facilities through profit or loss.

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group considers proceeds from share issuance, bank borrowings and retained earnings as capital. The Group's policy on borrowing is as set out below:

The level of borrowing will be on a prudent basis for the asset class, and will seek to achieve a low cost of funds, whilst maintaining flexibility in the underlying security requirements and the structure of the Group.

The Directors intend to maintain a conservative level of aggregate borrowings with a medium term target of 30% of the Group's gross assets.

DIVIDEND PAYABLE TO SHAREHOLDERS

Dividends to the Company's shareholders are recognised as a reduction in equity in the financial statements in the period in which the dividends are approved.

RENTAL INCOME

Rental income from investment property is recognised on a straight-line basis over the expected term of ongoing leases. Lease incentives and step rents with minimum uplifts are spread evenly over the expected lease term.

FINANCE INCOME AND FINANCE COSTS

Finance income is recognised as interest accrues on cash balances held by the Group. Finance costs consist of interest payable and loan arrangement fees which are expensed using the effective interest rate method over the term of the loan and other costs that the Group incurs in connection with bank and other borrowings which are expensed in the period in which they occur.

EXPENSES

All expenses are recognised in the consolidated statement of comprehensive income on an accruals basis.

INVESTMENT ADVISORY FEES

Investment advisory fees are recognised in the consolidated statement of comprehensive income on an accruals basis.

LICENCE FEE RECEIVABLE

During the period between initial investment in a forward funded agreement and the rent commencement date, the Group receives licence fee income. This is payable by the developer to the Group throughout this period. IAS 40.20 states that investment property should be recognised initially at cost, being the consideration paid to acquire the asset, therefore such licence fees are deducted from the cost of the investment and are shown as a receivable. Any economic benefit of the licence fee is reflected within the consolidated statement of comprehensive income as a change in the fair value of investment property and not within rental income.

INVESTMENT PROPERTY UNDER CONSTRUCTION

Investment properties under construction are financed by the Group where the Group enters into contracts for the development of a pre-let property under a funding agreement. All such contracts specify a fixed amount of consideration. The Group does not expose itself to any speculative development risk as the proposed building is pre-let to a tenant under an agreement for lease and the Group enters into a fixed price development agreement with the developer. Investment properties under construction are initially recognised at cost (including any associated costs), which reflect the Group's investment in the assets. Subsequently, the assets are remeasured to fair value at each reporting date. The fair value of investment properties under construction is estimated as the fair value of the completed asset less any costs still payable in order to complete, which include an appropriate developer's margin.

5. Net rental income

	21 December 2016 to 30 September 2017 £
Rental income from investment property	2,635,409
	2,635,409

Revenue includes amounts receivable in respect of property rental income and is measured at the fair value of the consideration received or receivable. Rental income is derived from investment properties and is recognised on a straight line basis over the expected term of the relevant leases.

Lease incentives and rental uplifts of £494,244 are included in the rental income. They are spread evenly over the expected period of the lease, even though cash receipts are not on that basis.

6. General and administrative expenses

	21 December 2016 to 30 September 2017 £
Investment advisory fees	639,477
Legal and professional fees	176,095

Directors' fees	76,932
Administration and Company Secretarial	69,334
Fees paid to the Company's Independent Auditor	55,000
Advertising & Marketing	31,800
Property valuation fees	30,775
Abortive cost	21,155
Depositary fees	19,188
Employer's National Insurance Contributions	6,110
Printing fee	1,080
Directors' expenses	190
	1,127,136

Fees paid to the Company's Independent Advisor comprise £15,000 for the audit of the Initial Accounts, £20,000 for the Interim Review and £20,000 billed in respect of advanced audit procedures performed,

In addition to the fees paid to the Company's Independent Auditor, the Company has incurred costs of £92,250 from the auditors relating to the admission to the London Stock Exchange which have been treated as a reduction in Equity as share issue costs (note 16).

The Directors fees are satisfied by way of ordinary shares acquired at market value, such ordinary shares are acquired on behalf of the Directors and for their account by the Company's broker.

On 27 February 2017 LXi REIT Advisors Limited ('LRA') was appointed as the Investment Advisor of the Company by entering into the Investment Advisory Agreement with the Company. Under this agreement, the Investment Advisor will advise the Company in relation to the management, investment and reinvestment of the assets of the Group.

The investment advisory fees shall be an amount calculated in arrears in respect of each month, in each case based upon the average market capitalisation of the Company on the following basis:

(a) One-twelfth of 0.75 per cent per calendar month of Market Capitalisation up to or equal to £500 million; and

(b) One-twelfth of 0.65 per cent per calendar month of Market Capitalisation above £500 million.

No performance fee is payable to the Investment Advisor.

The appointment of the Investment Advisor shall continue in force unless and until terminated by either party giving to the other not less than 12 months' written notice, such notice not to expire earlier than 27 February 2022.

7. Finance income

	21 December 2016 to 30 September 2017 £

Interest on cash held at bank	7,658
	7,658

8. Finance costs

	21 December 2016 to 30 September 2017 £
Interest payable on bank borrowings	318,156
Amortisation of loan arrangement fees	15,769
Bank charges	1,341
	335,266

9. Taxation

The Group is a Real Estate Investment Trust ('REIT') and as a result the profit and gains arising from the Group's property rental business are exempt from UK corporation tax. Profits arising from any residual activities (e.g. trading activities and interest income), after the utilisation of any available residual tax losses, are subject to corporation tax at the main rate of 19% for the period.

	21 December 2016 to 30 September 2017 £
Current tax - current year	-
Total current tax	-
Origination and reversal of temporary differences	-
Total deferred tax	-
Tax charge	-

RECONCILIATION OF THE TOTAL TAX CHARGE

The reconciliation of profit before tax multiplied by the standard rate of corporation tax for the period of 19% to the total tax charge in the income statement is as follows:

	21 December 2016 to 30 September 2017 £
Profit for the period	9,683,912
Tax at the standard rate of UK corporation tax of 19%	9,683,912
Effects of:	1,839,943
Non taxable income (including REIT exempt income and revaluation of investment properties)	(1,839,943)
Tax charge	-

10. Investment property

	Freehold Investment properties £	Assets in course of construction £	Total £
Balance at beginning of period	-	-	-
Property acquisitions	127,930,318	7,307,268	135,237,586
Tenant lease incentives (note 5)	494,244	-	494,244
Change in fair value during the period	5,440,438	3,060,954	8,501,392
Balance at end of period	**133, 865,000**	**10,368,222**	**144,233,222**

In accordance with IAS 40: Investment property, the investment property has been independently valued at fair value by Knight Frank LLP ('KFL'), an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued. The valuations are the ultimate responsibility of the Directors.

KFL valued the entire LXi REIT plc property portfolio at £159,915,000 as at 30 September 2017 including forward funded commitments (see table below).

All corporate acquisitions during the period have been treated as asset purchases rather than business combinations as they are considered to be acquisitions of properties rather than businesses.

The Group investment policy is to target inflation-protected income and capital returns through acquiring a diversified portfolio of UK property assets, let or pre-let to a broad range of tenants with strong covenants on very long and index-linked leases.

The Group will neither undertake any direct development activity nor assume direct development risk. However, the Group may invest in fixed-price forward funded developments, provided they are pre-let to an acceptable tenant and full planning permission is in place. In such circumstances, the Group will seek to negotiate the receipt of immediate income from the asset, such that the developer is paying the Group a return on its investment during the construction phase and prior to the tenant commencing rental payments under the terms of the lease.

The Group will focus on delivering capital growth by holding the portfolio over the long term and therefore it is unlikely that the Group will dispose of any part of its Portfolio. In the unlikely event that a part of the portfolio is disposed of, the Directors intend to reinvest proceeds from such disposals in assets in accordance with the Company's investment policy.

On 27 February 2017 LXI REIT Advisors Limited ('LRA') was appointed as the Investment Advisor of the Company by entering into the Investment Advisory Agreement with the Company.

Under this agreement, the Investment Advisor will advise the Company and provide certain management services in respect of the portfolio.

The Investment Advisor is entitled to a monthly fee. Refer to note 6 for further details.

The appointment of the Investment Advisor shall continue in force unless and until terminated by either party giving to the other not less than 12 months' written notice, such notice not to expire earlier than 27 February 2022.

	As at 30 September 2017 £
Investment property at fair value per Consolidated Statement of Financial Position	144,233,222
Capital Commitments (Note 24)	15,681,778
Total portfolio valuation	**159,915,000**

Capital commitments represent the costs to bring the asset to completion under the Development Funding Agreements which include a developer's margin. These costs are not provided for in the Statement of Financial Position, refer to note 24.

FAIR VALUE HIERARCHY

	Date of valuation	Total £	Quoted prices in active markets (Level 1) £	Significant observable inputs (Level 2) £	Significant unobservable inputs (Level 3) £
Assets measured at fair value:					
Investment property	30 September 2017	144,233,222	-	-	144,233,222

The valuations have been prepared in accordance with the RICS Valuation - Professional Standards (incorporating the International Valuation Standards).

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets.

The following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

Valuation techniques: market value method

Under the market value method, the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Unobservable input: passing rent

The rent at which space could be let in the market conditions prevailing at the date of valuation (range: £10,140 to £1,200,000 per annum).

Passing rents are dependent upon a number of variables in relation to the Group's property. These include: size, location, tenant covenant strength and terms of the lease.

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as a reasonable range would not result in a significant movement in fair value.

Unobservable input: net initial yield

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase (range: 4.64% to 6.25%).

Sensitivities of measurement of significant unobservable inputs

As set out within significant accounting estimates and judgements above, the Group's property portfolio valuation is open to judgements and is inherently subjective by nature.

As a result the following sensitivity analysis has been prepared:

	-5% in passing rent £'000	+5% in passing rent £'000	+0.25% in net initial yield £'000	-0.25% in net initial yield £'000
(Decrease)/increase in the fair value of investment property as at 30 September 2017	(8,030)	7,958	(7,138)	7,758

11. Trade and other receivables

	As at 30 September 2017 £
Recoverable VAT	2,617,097
Other debtors	391,037
Licence fee receivable	373,831
Rent receivable	97,801
Prepayments and other receivables	3,500
	3,483,266

12. Cash at bank

	As at 30 September 2017 £
Cash at bank	22,353,309
Cash held by lawyers	6,802,918
Total cash and cash equivalents	**29,156,227**
Restricted cash	13,918,398
Total cash at bank	**43,074,625**

Restricted cash represents cash withheld by the bank from the first drawdown of £45 million until the Group will formally secure assets to release the funds and in consequence does not form an integral part of the Group's cash management plans.

Cash held by lawyers is money held in escrow for expenses expected to be incurred in relation to investment properties pending completion. These funds are available immediately on demand.

13. Trade and other payables

	As at 30 September 2017 £
Capital accruals	2,138,239
Prepaid rent	983,489
Licence fee payable	373,830
Corporate accruals	313,813
Trade and other payables	166,591
Rent deposit	24,000
Directors' fees	15,715
	4,015,677

14. Bank borrowings

	Drawn at 30 September 2017 £	Undrawn at 30 September 2017 £	Total at 30 September 2017 £
Bank borrowings	45,000,000	10,000,000	55,000,000
Capital outstanding	45,000,000	10,000,000	55,000,000
Less: unamortised loan arrangement fees	(848,148)	-	(848,148)
Carrying value	44,151,852	10,000,000	54,151,852

On 4 July 2017 the Group announced that it had signed a 12-year, fixed rate, interest only loan facility of £55 million with Scottish Widows Ltd, acting in partnership with Lloyds Bank Commercial Real Estate.

The loan is repayable on 3 July 2029 and has a fixed all-in rate payable of 2.93% per annum, for the duration of the 12-year loan term.

The Group has satisfied the first compliance covenant as at 30 September 2017.

The facility is secured against both the built and forward funded assets acquired by the Group utilising the equity raised on admission in February 2017.

As at 30 September 2017, £45 million has been drawn under the facility. The £10 million balance will be drawn in due course against the future forward funding commitments.

15. Share capital

	As at 30 September 2017 £
Authorised:	
138.15 million ordinary shares of £0.01 each	1,381,500
Issued and fully paid:	
138.15 million ordinary shares of £0.01 each	1,381,500

The Company achieved admission to the premium listing segment of the Official List of the London Stock Exchange on 27 February 2017, raising 138.15 million. As a result of the IPO, at 27 February 2017, 138,150,000 shares at 0.01 per share have been issued and fully paid.

16. Share premium reserve

The share premium relates to amounts subscribed for share capital in excess of nominal value net of directly attributable share issue costs.

	As at 30 September 2017 £
Balance at beginning of period	-
Share premium arising on ordinary shares issued in relation to equity issuance	136,768,500
Share issue costs	(2,763,000)
Transfer to capital reduction reserve	(134,005,500)
Balance at end of period	-

During the board meeting held on 27 January 2017, a resolution was passed authorising the cancellation of the share premium account and it was conditional upon the 3 following terms:

- Admission of the ordinary shares of the Company to listing on the UK Listing Authority's Official List
- The Company's Ordinary Shares to commence trading on London Stock Exchange's Main Market for listed securities
- Approval of the Court for the reduction of share capital

The amount standing to the credit of the share premium account of the Company following completion of the Issue (less any issue expenses set off against the share premium account) was, as a result, credited to the capital reduction reserve. This is a distributable reserve which is capable of being applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Companies Act 2006) are able to be applied.

In order to cancel the share premium account the Company needed to obtain a court order, which was received on 28 June 2017. An SH19 form was sent to Companies House with a copy of the court order and the certificate of cancellation was issued by Companies House on 28 June 2017.

17. Capital reduction reserve

	As at 30 September 2017 £
Balance at beginning of period	-
Transfer from share premium reserve (note 16)	134,005,500
Balance at end of period	**134,005,500**

18. Retained earnings

	As at

	30 September 2017 £
Balance at beginning of period	-
Total comprehensive income for the period	9,683,912
Balance at end of period	**9,683,912**

19. Operating leases

The future minimum lease receivables by the Group under non-cancellable operating leases are as follows:

	< 1 year		**2-5 years**		**> 5 years**		**Total**
	£		**£**		**£**		**£**
30 September 2017	9,065,311		36,286,081		175,475,881		220,827,273
	9,065,311		**36,286,081**		**175,475,881**		**220,827,273**

All of the Group's leases:

- are on full repairing and insuring terms, meaning the tenants are responsible for repair, maintenance and outgoings;
- provide for fixed rents (rather than turnover rents), which review on an upward only basis (either annually or five yearly). The vast majority (over 95%) have rent reviews directly linked to inflation or on a fixed basis; and
- have long contractual terms, averaging 24 years to first break

20. Segmental information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case is the Executive Committee comprising the 4 non-executive Directors and 3 partners of the Investment Advisor) in order to allocate resources to the segments and to assess their performance.

The internal financial reports received by the Group's Executive Committee contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA earnings, net asset value and adjusted earnings as disclosed in note 26 and 27. Additionally, information is provided to the Executive Committee showing gross property income and property valuation by individual property. Therefore, for the purposes of IFRS 8, each individual property is considered to be a separate operating segment in that its performance is monitored individually.

The Group's property portfolio comprises investment property, diversified across eight different property sub-sectors: hotels (30%), supported living (21%), care homes (13%), industrial (11%), car parks (11%), discount retail (6%), leisure (5%) and automotive (3%). The Directors consider that these properties have similar economic characteristics. Therefore, in the view of the Directors, there is one reportable segment under the provisions of IFRS 8.

All of the Group's properties are based in the UK. No geographical grouping is contained in any of the internal financial reports provided to the Group's Executive Committee and, therefore, no geographical segmental analysis is required by IFRS 8.

Three tenants have contributed individually more than 10% to the Group's rental income in the period and are therefore considered major customers under IFRS 8. The contributions to rental income recognised in the period are £636,357, £580,523 and £277,175 respectively.

21. Related party transactions

The Directors are entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. Save for the Chairman, the initial fees will be £27,500 for each Director per annum. The Chairman's initial fee will be £40,000 per annum. In addition, the Chair of the Audit Committee will receive an additional fee of £5,000 per annum and the Chair of the Management Engagement Committee will receive an additional fee of £2,500 per annum.

Each of the Directors have agreed that any fees payable to them shall, save where the Company determines otherwise, be satisfied in ordinary shares acquired at market value, such ordinary shares to be acquired off market without a new issue of shares on behalf of the Directors and for their account by the Company's broker. Any ordinary shares acquired by the Directors pursuant to these arrangements shall be subject to the terms of the Lock-in Deed.

Following the admission of the Company to the premium segment of the London Stock Exchange on 27 February 2017 and up to 30 September 2017, the Directors purchased the following number of nominal ordinary shares:

Stephen Hubbard (Chairman) - 60,437 ordinary shares

Colin Smith (Director) - 108,378 ordinary shares

John Cartwright (Director) - 29,551 ordinary shares

Jeannette Etherden (Director) - 23,886 ordinary shares

For the period from 27 February 2017 to 30 September 2017, fees of £76,932 were incurred by the Company. At 30 September 2017, the amount of £15,715 was due to the Directors.

LXI REIT Advisors Limited - On 27 February 2017 was appointed as the Investment Advisor of the Company.

For the period from 21 December 2016 to 30 September 2017, fees of £639,477 were incurred and paid to LXi REIT Advisors. At 30 September 2017, no amounts were due to the Investment Advisor at the period end.

On 27 January 2017, 50,000 redeemable preference shares were issued to Kate Longman, a former Director of the Company. These shares were subsequently redeemed and cancelled on 22 February 2017.

22. Consolidated entities

The Group consists of a parent company, LXi REIT plc, incorporated in the UK and a number of subsidiaries held directly and indirectly by LXi REIT plc, which operate and are incorporated in the UK.

The Group owns 100% equity shares of all subsidiaries listed below and has the power to appoint and remove the majority of the board of directors of those subsidiaries. The relevant activities of the below subsidiaries are determined by the respective directors based on simple majority votes. Therefore the Directors of the Group have concluded that the Group has control over all these entities and all these entities have therefore been consolidated within these financial statements.

Name of Entity	Principal activity	Country of incorporation	Ownership %
LXi Property Holdings 1 Limited	Property Investment	UK	100%
LXi Property Holdings 2 Limited	Property Investment	UK	100%
FPI CO 116 LTD	Property Investment	UK	100%

FPI CO 118 LTD	Property Investment	UK	100%
FPI CO 119 LTD	Property Investment	UK	100%
FPI CO 120 LTD	Property Investment	UK	100%
FPI CO 133 LTD	Property Investment	UK	100%
FPI CO 135 LTD	Property Investment	UK	100%
FPI CO 136 LTD	Property Investment	UK	100%
FPI CO 137 LTD	Property Investment	UK	100%
FPI CO 138 LTD	Property Investment	UK	100%
FPI CO 139 LTD	Property Investment	UK	100%
FPI CO 144 LTD	Property Investment	UK	100%
FPI CO 146 LTD	Property Investment	UK	100%
FPI CO 148 LTD	Property Investment	UK	100%

23. Financial risk management

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk in the current and future periods. The Board of Directors oversees the management of these risks. The policies of the Directors for managing each of these risks are summarised below.

MARKET RISK

The Group's activities will expose it primarily to the market risks associated with changes in property values.

Risk relating to investment in property

Investment in property is subject to varying degrees of risk. Some factors that affect the value of the investment in property include:

- changes in the general economic climate;
- competition for available properties;
- obsolescence; and
- Government regulations, including planning, environmental and tax laws.

Variations in the above factors can affect the valuation of assets held by the Group and as a result can influence the financial performance of the Group.

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.

The Group intends to reduce the interest rate risk on its external borrowing by fixing the rate of interest payable.

CREDIT RISK

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group will be exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions.

Credit risk related to financial instruments and cash deposits

One of the principal credit risks of the Group will arise with the banks and financial institutions. The Board of Directors believes that the credit risk on short-term deposits and current account cash balances is limited because the counterparties are banks with high credit ratings.

LIQUIDITY RISK

The Group manages its liquidity and funding risks by considering cash flow forecasts and ensuring sufficient cash balances are held within the Group to meet future needs. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of financing through appropriate and adequate credit lines, and the ability of customers to settle obligations within normal terms of credit. The Group ensures, through forecasting of capital requirements, that adequate cash is available.

The following table details the Group's liquidity analysis in respect of its external borrowing and trade payables:

30 September 2017	Carrying amount £	< 3 months £	3-12 months £	1-5 years £	> 5 years £
Bank borrowings (note 14)	44,151,852	-	-	-	44,151,852
Trade and other payables (note 13)	4,015,677	4,015,677	-	-	-
	48,167,529	**4,015,677**	**-**	**-**	**44,151,852**

24. Capital commitments

The Group has capital commitments of £15,681,778 in relation to its forward funded pre-let development assets outstanding as at 30 September 2017. All commitments fall due for settlement within one year from the date of this report.

25. Contingent liabilities

As at 30 September 2017 the Group had exchanged contracts for six acquisitions that had not reached legal completion for a total consideration of £47.9 million.

26. Earnings per share

Earnings per share (EPS) amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Both basic and diluted earnings per share are quoted below.

The calculation of basic and diluted EPS is based on the following:

For the period ended from 21 December 2016 to 30 September 2017	Net profit/attributable to ordinary shareholders £	Weighted average number of ordinary shares Number	Earnings per share Pence

Basic and diluted EPS (pence)	**9,683,912**	**104,585,387**	**9.26**
Adjustments to remove:			
Change in fair value of investment properties	(8,501,392)	104,585,387	(8.13)
EPRA* EPS (pence)	**1,182,520**	**104,585,387**	**1.13**
Adjustments to include/(remove)			
Amortisation of loan arrangement fee (note 8)	15,769	104,585,387	0.01
Rental uplifts adjustments (note 5)	(494,244)	104,585,387	(0.47)
Adjusted EPS (pence)	**704,045**	**104,585,387**	**0.67**

*European Public Real Estate Association

Adjusted EPS is a performance measure used by the Board to assess the Group's dividend payments. The metric reduces EPRA earnings by removing non-cash items credited or charged to the statement of comprehensive income such as rental uplifts adjustments and amortisation of loan arrangement fees.

Rental uplift adjustments relate to adjustments to net rental income in relation to leases with fixed or minimum uplifts or rent free periods embedded within their review profiles. The total minimum income recognised over the expected lease term is recognised on a straight line basis.

The amortisation of loan arrangement fees relates to the cost incurred to obtain the £55 million loan facility from Scottish Widows Ltd. Such loan arrangement fees are amortised over the period of the facility being 12 years.

27. Net asset value per share

Basic net asset value (NAV) per share is calculated by dividing net assets in the consolidated statement of financial position attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding at the end of the period. Both basic and diluted NAV per share are quoted below.

Net asset values have been calculated as follows:

	As at 30 September 2017 £
Net assets at end of period	145,070,912
Adjustments to calculate EPRA NAV	-
EPRA Net assets	145,070,912

Shares in issue at end of period	138,150,000
Dilutive shares in issue	-
Number of shares	**138,150,000**
Basic and diluted EPRA NAV per share (pence)	**105.01**

28. Post balance sheet events

ACQUISITIONS

On 16 October 2017, the Group completed on a portfolio of 35-year let supported living properties in Greater London, Devon, Surrey, Essex and Northampton for £18.9 million. Contracts for the acquisition were exchanged before 30 September 2017 and the acquisition is included in the total contingent liability disclosed in note 25.

On 18 October 2017, the Group exchanged contracts to provide forward funding for the development of a new 25-year pre-let Lidl food store in Chard, Somerset. The development represents an investment of £5.5 million.

On 6 November, the Group completed on a portfolio of 25-year let supported living properties in Lancashire and Yorkshire for £1.8 million. Contracts for the acquisition were exchanged before 30 September 2017 and the acquisition is included in the total contingent liability disclosed in note 25.

On 3 November 2017, the Group acquired a portfolio of 31-year let care homes in Leicestershire and Lincolnshire for £28.5 million.

On 13 November 2017, the Group exchange contracts on the pre-let forward funded acquisition of a property in the East Midlands. The development represents an investment of £6.9 million.

ISSUE OF EQUITY

On 12 October 2017 the Company has fully raised gross proceeds of £60.2 million pursuant to the issue of 58,731,797 new ordinary shares of £0.01 each in the Company under the placing programme set out in the Prospectus published by the Company in February 2017.

DIRECTOR'S INTEREST

On 16 October 2017 Colin Smith (Director) acquired 45,000 ordinary shares. Following the above transaction Colin Smith's total holding in the Company is 153,378 ordinary shares.

DIVIDENDS

On 23 November 2017, the Company declared its maiden dividend in respect of the period to 30 September 2017 of 1.0 pence per ordinary share totalling £1,968,817, payable on 29 December 2017 to shareholders on the register on 1 December 2017.

Directors, advisors and other information

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Colin Smith OBE
Jeannette Etherden
John Cartwright

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The Interim Report will be available on the Company's website www.lxireit.com. It will also be submitted to the National Storage Mechanism and available for inspection at: http://www.morningstar.co.uk/uk/NSM

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