

Regulatory Story

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LXI REIT PLC - LXI Half Year Results
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26 November 2019

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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 the "Group")

HALF-YEAR RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2019

The Board of LXi REIT plc (ticker: LXI), the specialist inflation-protected very long income REIT, is pleased to report its results for the Group for the six-month period from 1 April 2019 to 30 September 2019.

Delivering consistent NAV and total return outperformance, underpinned by secure, long-dated, inflation-linked assets across robust sectors

FINANCIAL HIGHLIGHTS

	Half-year ended 30 September 2019	Half-year ended 30 September 2018
EPRA NAV	119.56 pence	113.00 pence
EPRA NAV growth	+4.33%	+4.95%
Total NAV return ¹	6.8%	8.1%
Operating profit	£36.17 million	£18.39 million
Earnings per share	7.52 pence	8.70 pence
Dividend per share ¹	2.875 pence	2.75 pence
Adjusted earnings per share ¹	2.93 pence	3.24 pence
Portfolio valuation ^{1,2}	£838.46 million	£318.79 million
Loan to value ratio	20%	29%
Average fixed cost of debt ⁴	2.94%	2.90%
Gross equity raised	£200.00 million	-
Total shareholder return since IPO ¹	47%	23%

- EPRA NAV increased in the half-year by 4.33% (30 September 2018: 4.95%, year ended 31 March 2019: 6.44%) to 119.56 pence at 30 September 2019 (30 September 2018: 113.00 pence, 31 March 2019: 114.60 pence)
- Total net asset value ("**NAV**") return for the half-year was 6.8% (30 September 2018: 8.1%, year ended 31 March 2019: 12.1%), representing outperformance against our

annual target of 8% plus³

- Operating profit of £36.17 million for the half-year (30 September 2018: £18.39 million, year ended 31 March 2019: £37.30 million) comprising profit from the Group's property portfolio and changes in fair value of investment property net of administrative and other expenses
- Earnings per share under IFRS for the half-year of were 7.52 pence (30 September 2018: 8.70 pence, year ended 31 March 2019: 12.75 pence), which includes the change in fair value of investment property
- The first two dividends per share paid and declared in respect of the year ending 31 March 2020 totalled 2.875 pence (30 September 2018: 2.75 pence, year ended 31 March 2019: 5.50 pence) putting the Company on course to meet its full year dividend per share target of 5.75 pence³
- Dividend per share was fully covered by the Group's Adjusted earnings per share⁵ for the half-year of 2.93 pence (30 September 2018: 3.24 pence, year ended 31 March 2019: 6.28 pence), a strong performance in a period when shares in issue increased by 48%
- Portfolio independently valued by Knight Frank LLP at £838.46 million as at 30 September 2019 (30 September 2018: £318.79 million, 31 March 2019: £589.50 million) including all commitments on forward funded assets and assets that had exchanged but not completed² reflecting a valuation yield of 5.06% net of full costs (30 September 2018: 5.18%, 31 March 2019: 5.13%)
- Loan to value ("**LTV**") ratio at 30 September 2019 was a conservative 20% (30 September 2018: 29%, 31 March 2019: 29%) with material headroom to our medium-term maximum of 35% and our LTV covenant of 50%
- Low average fixed cost of debt of 2.94%⁴ (30 September 2018: 2.90%, 31 March 2019: 2.94%) and long average debt maturity of 12 years⁴ (30 September 2018: 11 years, 31 March 2019: 12 years) underpinning our ability to grow investor returns through inflation-linked rent reviews
- Gross equity proceeds raised of £200 million (30 September 2018: £Nil, 31 March 2019: £175.25 million) via a significantly oversubscribed equity raise and deployed swiftly into accretive assets
- Total shareholder return of 47% from IPO in February 2017 to 30 September 2019, comprising share price growth and dividends assumed reinvested (30 September 2018: 23%, 31 March 2019: 34%)

OPERATING HIGHLIGHTS

	Reporting date	30 September 2018
Average acquisition NIY	5.80%	5.98%
Rents containing index-linked/fixed uplifts	96%	97%
WAULT to first break	22 years	23 years
Portfolio let or pre-let	100%	100%
Property sectors	9	9
Separate tenants	50	29

- Average acquisition net initial yield ("**NIY**") to date of 5.80% net of acquisition costs (30 September 2018: 5.98%, 31 March 2019: 5.80%), representing a 286 bps spread to average fixed cost of drawn debt (30 September 2018: 308 bps, 31 March 2019: 286 bps)
- 96% of the Group's rental income either contains index-linked rent reviews or fixed rental uplifts (30 September 2018: 97%, 31 March 2019: 96%) underpinning the Company's ability to grow returns over the short and longer term
- A long weighted average unexpired lease term ("**WAULT**") to first break of 22 years (30 September 2018: 23 years, 31 March 2019: 22 years) providing security and predictability to the Group's income
- Portfolio 100% let or pre-let and income producing (30 September 2018: 100%, 31 March 2019: 100%) to 50 separate financially strong tenants (30 September 2018: 29, 31 March 2019: 38) across nine defensive and robust sectors (30 September 2018: nine, 31 March 2019: nine) on full repairing and insuring leases

POST PERIOD END HIGHLIGHTS

- As at 26 November 2019, the Group has exchanged on £95.04 million of forward funded assets which were not included in the Group's NAV at 30 September 2019 that are expected to complete in the second half of the year to 31 March 2020 providing significant further NAV growth potential
- Approved second quarterly interim dividend of 1.4375 pence per share to be paid on 20 December 2019 in respect of the half-year taking the total dividends paid and proposed per share to 2.875 pence, in line with the Company's annual dividend per share target of 5.75 pence³

Stephen Hubbard, Chairman of LXi REIT plc, commented:

"This has been another busy and successful six months, delivering transformational growth and return outperformance. The secure income and capital growth of our portfolio has provided a total NAV return of 6.8% in the first half of the year, significantly ahead of target, and we are on track to meet and fully cover our 5.75 pence dividend target for the full year.

We were delighted that new and existing shareholders supported our growth plans by subscribing for a further £200 million of equity during the half-year, increasing our market capitalisation to over £660 million. The full deployment of the net proceeds and subsequent gearing has facilitated further diversification of the Group's portfolio and provided value to our shareholders through accretive acquisitions.

To date, the Group has exchanged on £95 million of forward funded assets which were not included in the NAV at 30 September 2019. The recognition and revaluation of these assets should provide further NAV growth potential in the second half of the year to 31 March 2020."

FOR FURTHER INFORMATION, PLEASE CONTACT:

LXI REIT Advisors Limited John White (Partner, Fund Manager) Simon Lee (Partner, Fund Manager)	Via Maitland/AMO
Peel Hunt LLP Luke Simpson	Tel: 020 7418 8900
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The Company's LEI is: 2138008YZGXOKAXQVI45

NOTES:

LXi REIT plc invests in UK commercial property assets let, or pre-let, on very long (typically 20 to 30 years to first break), inflation-linked leases to a wide range of strong tenant covenants across a diverse range of robust 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 an annual dividend of 5.75 pence per ordinary share, starting from the financial period commencing 1 April 2019, with the potential to grow the dividend in absolute terms through upward-only inflation-protected long-term lease agreements, and is targeting a total NAV return of a minimum of 8 per cent. per annum over the medium term.³

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 Financial Conduct Authority and was admitted to trading on the main market for listed securities of the London Stock Exchange in February 2017. The Company is a constituent of the FTSE EPRA/NAREIT index.

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

- 1 Further detail on Alternative Performance Measures can be found in the Chairman's Statement and definitions given in the Key performance indicators and the EPRA performance measures sections or otherwise included in the Glossary included in the Additional Information of the Company's Annual Report, which is published on the Company's website at www.lxireit.com
- 2 The independent valuation includes forward funded commitments outstanding and properties that had exchanged but not completed at the half-year end date. A reconciliation to the IFRS fair value as per the condensed

consolidated statement of financial position is included in Note 8 to the condensed consolidated financial statements

- 3 These are targets and not a profit forecast and there can be no assurance that they will be met
- 4 Calculated based on the Company's total drawn debt as at 30 September 2019
- 5 The definition of adjusted earnings and a reconciliation to the Group's profit under IFRS is included in Note 25 to the condensed consolidated financial statements

A Company meeting for investors and analysts and live webcast and conference call will be held at 11am today

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

Those wishing to attend the presentation or access the live webcast and conference call are kindly asked to contact Maitland/AMO at lxireit-maitland@maitland.co.uk or by telephone on +44 (0) 20 7379 5151.

The presentation will also be accessible on-demand.

In addition, a recorded webcast of this meeting and the presentation will also be available to download on-demand from the Company's website: www.lxireit.com.

The Interim Report and Accounts will also be made available on the Company's website at www.lxireit.com. In accordance with Listing Rule 9.6.1, copies of these documents will be submitted to the UK Listing Authority via the National Storage Mechanism and will be available for viewing shortly at www.morningstar.co.uk/uk/NSM.

CHAIRMAN'S STATEMENT

Dear shareholder

I am delighted to report to you on a busy and successful six-month period for LXi REIT plc. We have continued to implement our investment strategy, positioning the Group well to benefit from the further diversification and increased scale achieved through the investment of capital from another successful equity raise. The Investment Advisor's ability to source high quality assets at disciplined and attractive pricing has been at the core of our outperformance. We remain well positioned to continue to deliver excellent returns to shareholders and continue to be confident in the outlook of the Company and its prospects over the short and longer term.

Financial results

The Group has maintained its strong performance since inception in 2017, benefitting from the advantages of increased scale following two material equity raises within 12 months and we continued to deliver outperformance whilst providing further diversification to the portfolio with high quality long-let assets in robust property sectors with the most favourable outlook.

During the six months the Group achieved a total NAV return of 6.78%, a strong half-year performance against our annual target of 8% plus. Total NAV return comprises EPRA NAV growth with dividends paid during the half-year.

The Group's EPRA NAV per share at 30 September 2019 was 119.56 pence, an increase of 4.33% compared to the Group's last reported NAV at 31 March 2019. The growth was delivered through:

- (i) the value achieved at the point of purchase through accretive investment of new equity predominantly on an 'off market' basis;
- (ii) the significant discount to built asset values when acquiring through forward funding structures;
- (iii) the capitalisation of over 40 index-linked and fixed rent reviews during the half-year; and
- (iv) the issue of new equity at a premium to EPRA NAV during the period.

The Company's first two quarterly dividends per share paid and proposed in respect of the year ending 31 March 2020 totalled 2.875 pence, in line with our full year dividend per share target of 5.75 pence.

The Company's dividend is underpinned by the Group's Adjusted earnings per share ("EPS"), that comprise EPRA earnings from the standing portfolio with the developer licence fees received during construction of the pre-let forward funded assets.

The Group has generated Adjusted EPS for the half-year of 2.93 pence, reflecting full dividend cover on those first two quarterly dividends. The Board considers this to be a

particularly strong performance during what has been a transformational six-month period of growth, during which the ordinary share capital of the Company has increased by 48%.

Following completions since the half-year end, the Company has become fully invested and geared in line with our conservative borrowing policy. Assuming no changes in the capital structure, the Company expects to continue to deliver strong dividend cover to the full year and on a forward-looking basis.

The Company's recent growth has provided further diversification to the portfolio, significantly reduced the ongoing costs of the Group on a per share basis as well as increasing the liquidity of the Company's shares, all of which will greatly benefit shareholders in the longer term.

Raising capital

Share issuance

During the period the Company closed a significantly over-subscribed equity raise, with the level of demand allowing the Board to exercise its option, approved by existing shareholders, to increase the issue beyond the targeted £100 million and to raise a total of £200 million.

The level of demand reflects the increased attraction of investors to inflation-protected long income secured against a high quality and diversified portfolio let to a wide range of strong tenant covenants across robust property sectors.

The net proceeds of the raise were carefully and efficiently deployed within four weeks into an existing pipeline of accretive assets identified in the build up to the raise.

The issue has broadened the Company's investor base and enhanced the size and liquidity of the Company's share capital and we welcome our new investors and thank existing investors for their continued support.

Growing the Company's capital through the equity raise has also spread our low, transparent and largely fixed operating costs over a larger number of shares, thereby reducing the Group's ongoing charges ratio and the Board believes that increased scale will support the Company in continuing to grow returns to investors.

Debt financing

The Company targets maintaining conservative leverage and during the half-year the Group agreed a new £100 million revolving credit facility ("**RCF**") to gear the net proceeds of the Company's recent equity raise.

The RCF has been provided by Lloyds Bank plc, diversifying the Group's sources of finance and debt maturity profile, at an attractive margin of 1.55% pa over Libor for an initial term of three years, which may be extended by up to two years at the option of the Group.

The nature of the facility provides additional operational flexibility as well as cost efficiency when opportunistically recycling capital generated through profitable disposals, following unsolicited interest in the Group's assets, and complements the existing longer term loan facilities with Scottish Widows.

Once fully drawn, the RCF is expected to maintain the Group's loan to value ("**LTV**") ratio at c.30%, in line with our medium-term target and below our maximum level of aggregate borrowings of 35% and significantly below the 50% LTV covenant.

Our portfolio and tenants

The Group's portfolio is secured against 50 institutional-grade tenant covenants with strong financials, well diversified by geography and across a broad range of nine defensive and robust property sectors.

Acquisitions during and since the period, financed by the £200 million equity raise and utilising the RCF, have provided further diversification and security to the Group's portfolio, whilst improving the Group's overall tenant covenant strength. The portfolio's weighted average unexpired lease term to first break is now 22 years and 96% of passing rents are index-linked. The net initial acquisition yield of 5.80% across the portfolio demonstrates a continued disciplined approach to acquisitions during the period and compares well to our valuation yield of 5.06%.

The Investment Advisor has balanced acquisitions between built asset structures and its forward funding strategy that continues to deliver attractive value growth as well as the other benefits associated with state-of-the-art assets designed to tenant specification with brand new unexpired lease terms.

The quality of our portfolio leads to regular unsolicited interest in the Group's properties. The new RCF will afford the Investment Advisor enhanced flexibility and cost efficiency when opportunistically crystallising growth through selective disposals ahead of book value and recycling the capital into accretive assets.

This strategy has also allowed the Investment Advisor to defensively manage the portfolio's exposures to sectors and rent review types with more favourable outlooks and to upwardly manage the portfolio's unexpired lease terms.

Dividends and share performance

During the six months, the Company declared a final dividend in respect of the period ended 31 March 2019, meeting the dividend per share target of 5.50 pence for that year.

The Company paid the first quarterly interim dividend of 1.4375 pence per share on 23 September 2019 and the Board has approved a second quarterly interim dividend of 1.4375 pence per share to be paid on 20 December 2019. The second interim dividend will be payable to shareholders registered on 6 December 2019 and the ex-dividend date will be 5 December 2019.

In total, this takes the dividend per share paid and proposed in respect of the half-year to 2.875 pence reflecting an annualised rate of 5.75 pence, in line with the Company's 2019/20 dividend per share target.

The Company's shares have continued to reflect the strong performance of the portfolio delivering a half year total shareholder return of 7.81%, which again compares favourably with the EPRA/NAREIT UK index total return of 4.05% over the same period.

Strong demand for the Company's shares during the half-year meant that the daily volume of shares traded exceeded 1.2 million shares consistently at a premium to published net asset values of the Group.

Corporate governance

I am pleased that the Company benefits from a strong independent Board of Non-Executive Directors with substantial real estate, financial, commercial and operating experience and has the appropriate sub-committees, including Audit and Management Engagement Committees, which meet on a regular basis.

The Board is responsible for directing and controlling the Company and has overall responsibility of the management and conduct of the Company's business, strategy and development. We recognise the fundamental importance of good governance in exercising this responsibility. The Board also considers in detail and approves in advance each property acquisition and disposal, along with other significant matters, including debt facilities, equity issues and material appointments.

The Board has begun the process, with the assistance of an external search consultancy, of identifying candidates for the role of an additional Non-Executive Director, to provide further expertise as well as succession planning.

Given the significant growth of the Company since its IPO, the level of time commitment by the Board and in order to continually attract the most qualified candidates as Non-Executive Directors, we have reviewed the Directors' remuneration arrangements that were put in place before the Company's IPO in 2017 and have taken independent advice in doing so.

The Board has accepted all recommendations of the independent advice and changes to the remuneration arrangements of the Directors will be made with effect from 1 January 2020. Detail of the changes is given in Note 20 to the condensed consolidated financial statements.

We have developed relationships with our shareholders and wider stakeholder groups through regular updates to the market including the publication of quarterly fact sheets. The Investment Advisor is also in regular communication with our investor base, particularly in the context of our financial results presentations.

The Company's Annual General Meeting took place on 26 June 2019 where the Board was pleased to speak face to face with a number of shareholders and we continue to encourage and foster communication with investors and other stakeholders.

The Investment Advisor

LXi REIT Advisors Limited is the Investment Advisor of the Company, providing day to day management services including strategy, raising debt and equity finance, sourcing and advising on investments for acquisition and disposal and due diligence in relation to proposed investments.

The Investment Advisor has provided the Group with access to opportunities at attractive pricing through long-established industry contacts and extensive knowledge of the sector. This has allowed the Group to source and transact on high quality investments to create value for our shareholders.

The Board joins me in thanking the Investment Advisor's management team for their successful execution of the Company's investment strategy, in particular for their work in managing the portfolio and achieving growth through selective disposals aligned with immediate recycling of capital. The team's successful execution of the Company's recent equity raises and subsequent deployment will provide further security and returns to investors through diversification and accretive acquisitions.

Alternative performance measures

The Board uses alternative performance measures including the European Public Real Estate ("EPRA") Best Practice Recommendations ("BPR") to supplement IFRS as it considers that these measures give the best understanding of the underlying performance of the Group's property portfolio.

The EPRA measures are widely recognised and used by public real estate companies and investors and seek to improve transparency, comparability and relevance of published results in the sector.

Definitions of alternative performance measures are given in the Key performance indicators and EPRA performance measures sections of this Report or otherwise included in the Glossary of the Company's 31 March 2019 Annual Report.

Post balance sheet events

Since the half-year end the Investment Advisor has continued to successfully execute on the Company's investment strategy and completed on many of those assets that had exchanged but not yet completed at 30 September 2019 and the remainder are expected to be completed prior to 31 March 2020.

There have also been further acquisitions since the half-year end, detail of which is given in Note 27 to the condensed consolidated financial statements.

On 25 November 2019, the Board approved the second interim dividend in respect of the year to 31 March 2020 of 1.4375 pence per share. The dividend takes the total dividends paid and proposed for the period to 2.875 pence per share, in line with the Company's annual dividend per share target for the full year of 5.75 pence.

Outlook

The forecast for UK inflation continues to compare favourably to open market rental growth forecasts over the medium-term. With 96% of our rents containing inflation-linked or fixed uplifts we are positioned well to benefit from this as well as the material spread between growth of the inflation indices and open market rental growth since the Company's IPO through rent reviews.

The Group's portfolio also contains embedded rental growth regardless of inflation performance with 60% of the portfolio containing either collared or fixed rental uplifts averaging 2% pa.

Global economic concerns continue to maintain downward pressure on government bond yields as a result of sustained demand for low risk products. Despite the sharpening of pricing for secure assets particularly offering inflation protection, the Company has maintained an average net initial acquisition yield of 5.80% across the portfolio.

The UK REIT market has now clearly diverged between those companies with exposures to challenging sectors such as shopping centres and high street retail, trading at widening discounts, and those with exposures to sectors with a more favourable economic outlook and particularly those offering inflation protection, including LXi REIT plc, trading at premiums to net asset values.

The Group has a highly diversified portfolio of long leases, quality tenants and a long weighted average unexpired lease term of 22 years, 96% of which is linked to inflation indexes or contains fixed uplifts. The long-term debt arrangements with material covenant headroom at a low and capped all-in rate make the Company an increasingly attractive investment at this time.

To date, the Group has exchanged on £95.04 million of forward funded assets that were not included in the Group's NAV at 30 September 2019. The recognition and revaluation of these assets should provide further NAV growth potential in the second half of the year to 31 March 2020.

Following completion of these assets, the Company will become fully invested and geared and we anticipate that the Group will generate earnings delivering strong dividend cover for the full year and on a forward-looking basis on the current capital structure.

The Investment Advisor continues to see attractive pricing in the midst of uncertainty, particularly through forward fundings and from assets sold or deals being traded by funds seeking liquidity. We are well positioned to take advantage of these opportunities with the operational flexibility offered by the RCF and the demonstrated ability to opportunistically recycle capital generated through profitable disposals.

The Board remains confident that the Company will continue to execute its strategies to meet or exceed our targets, delivering growing, inflation protected income and capital growth for shareholders over the short and longer term.

For and on behalf of the Board

Stephen Hubbard

Chairman of the Board of Directors
25 November 2019

INVESTMENT ADVISOR'S REPORT

LXi REIT Advisors Limited, the Investment Advisor to LXI REIT plc, is pleased to report on the operations of the Group during and since the half-year ended 30 September 2019.

During the half-year we have executed on our investment strategy successfully, continuing to deliver inflation protected income and capital growth to shareholders underpinned by a carefully built portfolio of secure, long-let and index-linked property assets, highly diversified by sector, tenant and geography.

Portfolio overview

Since the Company's IPO in February 2017, we have invested new capital and recycled capital generated through profitable disposals to build a portfolio of 143 separate assets at an average net initial yield on acquisition of 5.80%.

The portfolio at 30 September 2019 was independently valued at £838.46 million, which represents an average increase of 11% above acquisition price (excluding purchase costs) and yield compression across the portfolio of 74 bps to an average valuation NIY of 5.06%. The assets are valued individually, and no portfolio premium has been added.

Our diversified portfolio is well balanced across nine separate property sectors with multiple underlying uses. Our strategy for diversification allows us to cherry pick properties across a wide universe of assets.

We have strategically sought exposure to defensive sectors and uses that tend to outperform in times of economic downturn and uncertainty such as budget hotels (24%) and discount foodstores (10%), as well as sectors with more favourable market outlooks such as industrial assets (28%) and healthcare assets (14%).

We will continue to avoid certain sectors where we feel there is limited or negative future yield compression or rental growth.

The deployment of capital raised during the half-year has strengthened our tenant group, which now consists of 50 separate institutional grade entities with robust financials. We continue to regularly review the financial performance of all of our tenants and develop relationships with management teams to understand their businesses.

Our wide-ranging, diverse tenant group and the increase in scale during the half-year means that we are not over-exposed to any single tenant, with the largest contributing under 10% of the Group's annual rent roll.

There remains a strong market opportunity to capitalise on the forecast spread of index-linkages in rent reviews compared to open market rents, and the Group is well positioned with 57% of the rent roll linked to the Retail Prices Index ("RPI"), 20% linked to Consumer Price Index ("CPI") and 19% including fixed rental uplifts.

Commercial leases generally contain five-yearly rent reviews, but our focus has been to achieve a balance between five-yearly reviews and annual reviews. Of the portfolio's passing rent 39% reviewed annually and the remaining 61% is reviewed five-yearly.

The Group's steady and careful deployment of capital since IPO in February 2017 has meant that the rent review profile of the assets is well staggered which allows for smoother rental and capital growth potential across the portfolio. Of the Group's total rent roll, 13% will undergo a review in the remaining six-months to 31 March 2020 and 43% of the rents will undergo review in the following 12 months to 31 March 2021.

We have focussed on acquiring a portfolio that delivers predictability and a low volatility in rental growth to support our ability to sustainably grow investor returns over the medium and longer term. One of the ways that we manage this is through the inclusion of caps and collars in rent review clauses within our lease arrangements.

By rental income, 73% of the Group's income is capped at an average rate of 4% pa which also avoids properties becoming materially overrented and unsustainable for tenants. 60% of the Group's income by passing rent includes collared rent reviews at an average floor of 2% pa.

The portfolio has one of the longest WAULTs in the market at over 22 years, providing further certainty and security and strengthening the predictability of our income. Of the Group's annual rent roll 78% is on leases with in excess of 20 years remaining and less than 1% has a term certain under 10 years, demonstrating the absence of any barbell effect on the Group's lease expiry profile.

Our track record for recycling capital into accretive assets, our ability to source 'off market' forward fundings from developers and sale and lease back opportunities from tenants and the importance and underlying trading performance of our assets to our tenant group will support us in maintaining and lengthening our unexpired lease term going forward.

Since IPO we have balanced the Company's income return with capital growth to generate strong total NAV return performance by the Group. The capital growth of the portfolio to date reflects, *inter alia*:

- (i) the discount achieved on forward funding pre-let developments in smaller lot sizes, which have provided an average increase of 11% above acquisition price (excluding purchase costs);
- (ii) the profitable recycling of capital following disposals at a significant premium to acquisition cost and book value. During the half-year a single disposal of a portfolio of assisted living assets generated a geared IRR of 19% for the Company;
- (iii) the capitalisation of inflation-linked rental growth through annual and five-yearly rent reviews. Details of those rent reviews that took place during the half-year are given below under the section titled Asset management; and
- (iv) yield compression in the long-lease sector, as economic and geopolitical uncertainty has increased the weight of capital seeking secure, long-dated income underpinned by a portfolio of high-quality assets.

Since the period end the Group has completed on the following acquisitions for a combined purchase price of £69.02 million, which are not included in the Group's NAV at 30 September 2019, and provide potential NAV growth for the full year:

- On 28 October 2019, the Group legally completed the purchase of the land on a forward funding of a drive-thru coffee shop in Stoke, pre-let on a new unbroken 15-year agreement for lease with RPI linked uplifts;
- On 29 October 2019, the Group legally completed the purchase and leaseback of a car park in Greater London, with a new unbroken 35-year lease with RPI linked uplifts; and
- On 19 November 2019, the Group legally completed the purchase of the land on a forward funding of a business jet maintenance facility at London Biggin Hill Airport, pre-let on a new unbroken 35-year agreement for lease with fixed annual 2.5% rental uplifts.

To date, the Group has exchanged but not completed on a further £31.95 million of forward funding assets that were not included in the Group's NAV as at 30 September 2019. These deals are expected to complete in due course and prior to 31 March 2020, providing the potential for further NAV growth in the second half of the year.

Our tenants

We regularly review the financial performance and viability of our tenant group, as well as performing stringent due diligence on potential new tenants prior to putting acquisitions forward to the Board. This includes initial analysis and ongoing monitoring of financial results, strategic business plans, press coverage and corporate strategies. We always look to ensure the main trading company of a tenant's group or the parent/plc entity provides a guarantee arrangement to strengthen the covenant.

The Group's portfolio offers a highly diversified income stream from 50 separate strong institutional grade tenant covenants. We are acutely aware that with slowing growth in the UK economy, the risk of commercial failures rises. The Company is defensively placed to navigate this risk due to our broad diversification and the quality of our tenant group and as a result we see our portfolio as increasingly attractive even in times of uncertainty.

Our largest tenants, totalling over 70% of the passing rent are as follows:

Tenant group	% of passing rent
Travelodge	10%
BCA Group	7%
Q-Park	7%
Bombardier	7%
Premier Inn	6%
Greene King	5%
BUPA	4%
Jurys Inn	4%
Stobart Group	4%

Priory Group	3%
Starbucks	3%
Mears	3%
Qhotels	3%
Aldi	3%

The remaining 36 tenants each provide on average less than 1% of the Group's annual passing rent.

In the half-year we have been pleased to witness the continued strong performance of many of our tenants despite the economic conditions.

This has been primarily due to both our focus on sub-sectors that tend to outperform in times of economic downturn, such as budget hotels (Travelodge and Premier Inn/Whitbread) as well as the discount foodstores (Lidl and Aldi) and to sectors with more positive economic outlook such as industrial.

Asset management

Our collaborative asset management approach is designed and implemented to ensure that our property meets our tenants' requirements, thereby strengthening our relationships with them and improving the quality of our income, to enhance the underlying capital value. Initiatives include agreeing new lettings, extending lease lengths on existing assets, facilitating tenants' capital and fit out expenditure and successfully negotiating rent reviews.

During the half-year, 42 index-linked or fixed rental uplifts were agreed with tenants providing a weighted average uplift of 2.21% on the rents reviewed, which compares favourably to the average open market rental growth in the period of 0.9%³.

The Group achieved practical completion on the following four forward funded assets during the half-year, built to tenant specification and let on new fully unexpired leases at low rents:

- A budget hotel let to Travelodge in Swindon with a new 25-year lease to first break with CPI linked uplifts;
- A discount foodstore let to Lidl in Chard with a new 15-year lease to first break with RPI linked uplifts;
- A discount foodstore let to Lidl in Cowdenbeath with a new 15-year lease to first break with CPI linked uplifts; and
- A discount foodstore let to Aldi in Evesham with a new 15-year lease to first break with RPI linked uplifts.

A particular feature of many of the assets acquired during the half-year has been the sale and leaseback structure. Purchasing assets directly from tenants benefits us with a strong position for building landlord/tenant relationships, including an in depth understanding of the tenant's business and assets and 11 separate assets purchased during the half-year were acquired on this basis.

Forward funding strategy

Forward funding pre-let developments in smaller lot sizes, that are below the threshold at which institutional investors would ordinarily forward fund (due to the associated deal workload), has been a key strategy contributing materially to our NAV per share growth to date.

This approach has enabled us to source high-quality, lower priced assets (compared to built values) with reduced competition and low entry costs. Purchase costs of forward funded structures are usually less than 3%, materially lower than the 6.8% standard purchaser's costs for built asset structures.

The approach also ensures the asset acquired is brand new with a full unexpired lease term and built to tenant specification to increase strategic importance, which are also key benefits of forward commitment structures.

On all forward funded acquisitions, the Group avoids exposure to development risk by ensuring that prior to land completion and entering the funding agreement:

- a fixed-price is agreed for the forward funded purchase, covering land, construction cost and developer's profit - all cost overruns are the risk of the developer/contractor;
- full planning consent is in place;
- a pre-let is in place with a suitable, institutional grade tenant with strong financials;

- the developer only receives their profit when the asset achieves practical completion;
- any delay to practical completion of the works is the risk of the developer, as they pay the Group a licence fee, which is brought into the Group's Adjusted earnings, to the date that the lease completes;
- the main contractor is always a reputable entity with a proven track record and provides a parent company guarantee or performance bond;
- a full suite of warranties is provided by the main contractor and professional team; and
- all construction cost drawdowns are paid to the developer monthly in arrears once approved by the Group's monitoring surveyor.

Financing and conservative leverage

The Group's investment activity is financed principally through equity issues and debt. To a lesser extent, new capital has been generated through realised gains on disposals of investment property ahead of purchase price following unsolicited approaches.

The Group's debt pool comprises three separate long-term loans and an RCF each of which is self-contained to a specific pool of assets with no cross collateralisation. Conservative leverage is maintained well below both the Company's maximum loan to value ratio of 35% as well as the loan to value financial covenant that is 50% on each facility and contains appropriate remedial 'cure' rights.

Facility	Lender	Max	Interest rate	Expiry
Term loan	Scottish Widows	£55m	2.93% fixed	Jul 2029
Term loan	Scottish Widows	£40m	2.85% fixed	Jul 2029
Term loan	Scottish Widows	£75m	2.99% fixed	Dec 2033
RCF	Lloyds Bank	£100m	1.55% margin	Aug 2024 ¹

The three term loan facilities were strategically chosen because of their long dated maturity, to take advantage of the very low interest rate environment and contain a weighted average fixed cost of debt of 2.94%² and an average maturity of 12 years².

Fixing the rate of interest on these facilities and the level of forecast inflation has given the Group long-term certainty over both the availability and cost of finance and is expected to contribute to significant growth in the generation of free cash flows as a result of index linked and fixed rent reviews.

The RCF has given the Group a new source of finance, in Lloyds Bank plc, and provided further spreading to the Group's refinancing profile. In order to hedge uncertainty over the exposure to the floating rate of interest under the RCF, whilst retaining the upside of reducing interest rates over the medium-term, the Group traded an interest rate cap at the notional value of the maximum facility of the RCF of £100 million. This gives the Company certainty over its maximum cost of debt for the entire period of the RCF at 2.95%.

The primary attraction to the RCF is the operational flexibility it provides us to continue to execute the selective recycling of capital through disposals ahead of book value and purchase price, into accretive assets, and to manage the portfolio's exposures defensively.

Inflation performance

Despite a slowdown in growth of the UK economy towards the end of the half-year, inflation has continued to outpace open market rent reviews with the spread generally widening since the Company launched.

We have continued to implement the Company's investment strategy and have benefited from this economic reality by linking the vast majority of our rental uplifts to inflation.

The Company launched in February 2017 with the objective of providing inflation protected returns and of strategically taking advantage of our expectation that inflation would continue to outpace the slowing rates of commercial property rental growth and allow the Company to deliver superior returns to its peer group.

From February 2017 to September 2019, the average monthly published RPI growth has been 3.3% pa, significantly outpacing open market rent reviews that have averaged 1.3%³ pa. Over that period the spread between RPI and open market rental growth has also widened from 150 bps to 270 bps. As the portfolio continues to realise its full five year rent review cycle, the advantage of this is expected to be realised through capital and income growth for the Group.

The HM Treasury Forecasts for the Economy (Medium-term forecasts, August 2019) continue to predict significant outperformance with an average RPI growth forecast of

2.98% pa from 2019 to 2023 (see below). The Investment Property Forum UK Consensus Forecasts Report (August 2019) shows a materially lower average open market rental growth forecast of 0.5% pa for the same period.

This forecast inflation, together with the Group's low and largely fixed cost base, is expected to continue to produce:

- higher income growth for the Group via rental increases in line with inflation;
- enhanced dividend yield due to substantial free cash flows generated via the 286 bps spread between triple net rental income (5.80% average NIY) and low all-in fixed cost of debt (2.94% pa); and
- capital growth through the capitalisation of rental increases following rent reviews.

1 Assumes all extension options exercised

2 Weighted by drawn value as at 30 September 2019

3 Annualised market rental growth (standing investment) compiled by Knight Frank LLP from sources MSCI and Macrobond

For and on behalf of the Investment Advisor

Simon Lee

Director, LXi REIT Advisors Ltd
25 November 2019

KEY PERFORMANCE INDICATORS

Our objective is to deliver attractive, low risk returns to shareholders, by executing our investment policy. Set out below are the key performance indicators ("KPIs") we use to track our performance.

KPI and definition	Relevance to strategy	Performance	Result
1. Total NAV return Total NAV return measures the change in the EPRA NAV and dividends paid during the period as a percentage of EPRA NAV at the start of the period. We are targeting a minimum of 8% pa over the medium-term.	Total NAV return measures the ultimate outcome of our strategy, which is to deliver value to our shareholders through our portfolio and to deliver a secure and growing income stream.	6.78% for the half-year ended 30 September 2019 (half-year ended 30 September 2017: 8.08%, year ended 31 March 2019: 12.13%)	<i>Strong progress against our full year minimum target of 8%</i>
2. Dividend per share Dividends paid to shareholders and declared in relation to the period.	The dividend reflects our delivery of a low-risk and growing income stream from our portfolio and is a key element of our total NAV return.	2.875 pence for the half-year ended 30 September 2019 (half-year ended 30 September 2017: 2.75 pence, year ended 31 March 2019: 5.50 pence)	<i>In line with our stated target for the year to 31 March 2020</i>
3. EPRA NAV The value of our assets (based on an independent valuation) less the book value of our liabilities, attributable to shareholders and calculated in accordance with EPRA guidelines.	The NAV reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.	119.56 pence at 30 September 2019 (at 30 September 2018: 113.00 pence, at 31 March 2019: 114.60 pence)	<i>Increased EPRA NAV per share by 4.33%</i>
4. Loan to value ratio The proportion of our total assets that is	The LTV measures the prudence of our financing strategy, balancing the additional	20% at 30 September 2019	<i>Significantly below our medium-term maximum target</i>

funded by borrowings. Our target maximum LTV is 35%.	returns and portfolio diversification that come with using debt against the need to successfully manage risk.	(at 30 September 2018: 29%, at 31 March 2019: 29%)	<i>of 35% and LTV covenants of 50%</i>
5. Adjusted earnings per share Post-tax Adjusted earnings per share attributable to shareholders, which includes the licence fee receivable on our forward funded development assets treated under IFRS as discounts to investment property acquisitions.	The Adjusted earnings per share reflects our ability to generate returns from our portfolio, which ultimately underpins our dividend payments. A reconciliation of Adjusted earnings is included in Note 25 to the condensed consolidated financial statements.	2.93 pence for the half-year ended 30 September 2019 (half-year ended 30 September 2018: 3.24 pence, year ended 31 March 2019: 6.28 pence)	<i>Full dividend cover</i>
6. Total expense ratio The ratio of annualised total operating expenses, including management fees expressed as a percentage of the net asset value.	The total expense ratio is a key measure of our operational excellence. Maintaining a low cost base supports our ability to pay dividends.	1.04% for the half-year ended 30 September 2019 (half-year ended 30 September 2018: 1.26%, year ended 31 March 2019: 0.87%)	<i>In line with our low target</i>
7. Weighted average unexpired lease term The average unexpired lease terms of the property portfolio weighted by annual passing rents. Our target WAULT is a minimum of 20 years.	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security and predictability of our income stream.	22 years at 30 September 2019 (at 30 September 2018: 23 years, at 31 March 2019: 22 years)	<i>In line with our investment objective</i>
8. Percentage of contracted rents index-linked or fixed This takes the total value of contracted rents that contain rent reviews linked to inflation or fixed uplifts as a percentage of the total passing rent of the portfolio.	This measures the extent to which we are investing in line with our investment objective, to provide inflation-linked returns.	96% at 30 September 2019 (at 30 September 2018: 97%, at 31 March 2019: 96%)	<i>In line with our investment objective</i>

EPRA PERFORMANCE MEASURES

The table below shows additional performance measures, calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association ("EPRA"). We provide these measures to aid comparison with other European real estate businesses.

Reconciliations of EPRA Earnings and NAV are included in Notes 25 and 26 of the condensed consolidated financial statements respectively.

KPI and definition	Purpose	Performance
1. EPRA NAV Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to	Adjusts NAV under IFRS to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company, with a long-term investment strategy.	£623.38 million / 119.56 pence per share at 30 September 2019 (30 September 2018: £222.47 million / 113.00 pence per share, 31 March 2019: £403.75)

crystallise in a long-term investment property business.		million / 114.60 pence per share)
2. EPRA Earnings Earnings from operational activities (which excludes the licence fees receivable on our forward funded development assets).	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	£11.61 million / 2.58 pence per share for the half-year ended 30 September 2019 (half-year ended 30 September 2018: £5.51 million / 2.80 pence per share, year ended 31 March 2019: £14.85 million / 5.55 pence per share)
3. EPRA Triple Net Asset Value ("NNNAV") EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt; and (iii) deferred taxes.	Adjusts EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	£602.36 million / 115.72 pence per share at 30 September 2019 (30 September 2018: £223.15 million / 113.34 pence per share, 31 March 2019: £404.99 million / 114.95 pence per share)
4. EPRA NIY Annualised rental income based on the cash rents passing at the reporting date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	This measure should make it easier for investors to judge for themselves how the valuations of two portfolios compare.	5.06% at 30 September 2019 (30 September 2018: 5.18%, 31 March 2019: 5.14%)
5. EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives, such as discounted rent periods and step rents).	This measure should make it easier for investors to judge for themselves how the valuations of two portfolios compare.	6.25% at 30 September 2019 (30 September 2018: 6.95%, 31 March 2019: 6.01%)
6. EPRA Vacancy Estimated market rental value ("ERV") of vacant space divided by the ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	0.00% at 30 September 2019 (30 September 2018: 0.00%, 31 March 2019: 0.00%)
7. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	16.93% for the half-year ended 30 September 2019 (half-year ended 30 September 2018: 17.25%, year ended 31 March 2019: 16.37%) (no direct vacancy costs incurred)

PRINCIPAL RISKS AND UNCERTAINTIES

The Audit Committee, which assists the Board with its responsibilities for managing risk, considers that the principal risks and uncertainties as presented on page 31 of the 31 March 2019 Annual Report were unchanged during the period and for the remaining six months of the financial year including the risk associated with Britain leaving the European Union, that is described below. These risks include property and real estate risks, tenant default risk, financial risks and other risks, including dependence on the Investment Advisor and compliance.

With regard to political uncertainty relating to the potential outcome and impact of Britain leaving the European Union, the Government's request (and the European Council's subsequent adoption) to extend the period under Article 50 to 31 January 2020 means that uncertainty as to the exact nature or of Britain's exit from the EU remains in the medium-term. Even if a new government can obtain parliamentary approval for a deal, particularly with a view to Britain's future international trading arrangements, this would offer little certainty.

The Board and the Investment Advisor continue to monitor developments closely.

DIRECTORS' RESPONSIBILITIES 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 includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure Guidance 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 consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- disclosure of any material related party transactions in the period are included in Note 20 to the condensed consolidated financial statements.

A list of the Directors is shown in the Company Information section 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 of the Board of Directors
25 November 2019

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 six months ended 30 September 2019 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and related notes.

We have read the other information contained in the interim 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 report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Group are 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 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 report based on our review.

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 report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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.

BDO LLP

Chartered Accountants
London
United Kingdom
25 November 2019

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Rental income	3	16,723	8,163	21,567
Administrative and other expenses	4	(2,832)	(1,405)	(3,530)
Operating profit before change in fair value and gain on disposal of investment property		13,891	6,758	18,037
Change in fair value of investment property	8	22,275	8,721	15,941
Gain on disposal of investment property	8	-	2,910	3,321
Operating profit		36,166	18,389	37,299
Change in fair value of derivative financial instruments	9	(80)	-	-
Finance income	5	181	37	129
Finance costs	6	(2,467)	(1,290)	(3,312)
Profit before tax		33,800	17,136	34,116
Taxation	7	-	-	-
Profit and total comprehensive income attributable to shareholders		33,800	17,136	34,116
EPS - basic and diluted	25	7.52p	8.70p	12.75p

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 September 2019 (unaudited) £000	At 30 September 2018 (unaudited) £000	At 31 March 2019 (audited) £000
Non-current assets				
Investment property	8	743,838	306,071	511,527
Interest rate derivatives	9	94	-	-
Total non-current assets		743,932	306,071	511,527

Current assets				
Trade and other receivables	11	6,859	4,742	4,697
Deferred acquisition costs		696	281	1,182
Deferred share issue costs		-	206	-
Restricted cash	12	11,497	6,234	43,204
Cash and cash equivalents	12	57,199	5,584	19,413
Total current assets		76,251	17,047	68,496
Total assets		820,183	323,118	580,023
Current liabilities				
Trade and other payables	13	25,049	7,326	8,966
Total current liabilities		25,049	7,326	8,966
Non-current liabilities				
Trade and other payables	13	5,612	-	-
Bank borrowings	14	166,227	93,321	167,311
Total non-current liabilities		171,839	93,321	167,311
Total liabilities		196,888	100,647	176,277
Net assets		623,295	222,471	403,746
Equity				
Share capital	15	5,214	1,969	3,523
Share premium reserve	16	423,236	58,979	229,270
Capital reduction reserve		105,963	123,421	115,871
Retained earnings		88,882	38,102	55,082
Total equity		623,295	222,471	403,746
NAV per share - basic and diluted	26	119.54p	113.00p	114.60p
EPRA NAV per share	26	119.56p	113.00p	114.60p

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year ended 30 September 2019 (unaudited)	Note	Share capital £000	Share premium reserve £000	Capital reduction reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2019		3,523	229,270	115,871	55,082	403,746
Profit and total comprehensive income attributable to shareholders		-	-	-	33,800	33,800
Transactions with owners						
Issue of ordinary shares in the year	15	1,691	197,860	-	-	199,551
Share issue costs	16	-	(3,894)	-	-	(3,894)
Dividends paid in the year	17	-	-	(9,908)	-	(9,908)
Balance at 30 September 2019		5,214	423,236	105,963	88,882	623,295
Half-year ended 30 September 2018 (unaudited)						
Balance at 1 April 2018		1,969	58,979	130,067	20,966	211,981
Profit and total comprehensive income attributable to shareholders		-	-	-	17,136	17,136

Dividends paid in the half-year	17	-	-	(6,646)	-	(6,646)
Balance at 30 September 2018		1,969	58,979	123,421	38,102	222,471
<hr/>						
Year ended 31 March 2019 (audited)	Note	Share capital £000	Share premium reserve £000	Capital reduction reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2018		1,969	58,979	130,067	20,966	211,981
Profit and total comprehensive income attributable to shareholders		-	-	-	34,116	34,116
Transactions with owners						
Issue of ordinary shares in the year	15	1,554	173,696	-	-	175,250
Share issue costs	16	-	(3,405)	-	-	(3,405)
Dividends paid in the year	17	-	-	(14,196)	-	(14,196)
Balance at 31 March 2019		3,523	229,270	115,871	55,082	403,746

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Cash flows from operating activities				
Profit before tax		33,800	17,136	34,116
Adjustments for:				
Finance income	5	(181)	(37)	(129)
Finance costs	6	2,467	1,290	3,312
Change in fair value of investment property	8	(22,275)	(8,721)	(15,941)
Gain on disposal of investment property	8	-	(2,910)	(3,321)
Change in fair value of derivative financial instruments	9	80	-	-
Tenant lease incentives	3	(2,323)	(1,184)	(3,005)
Operating results before working capital changes		11,568	5,574	15,032
(Increase)/decrease in trade and other receivables		(2,138)	622	926
Increase in trade and other payables		3,402	1,021	3,589
Net cash flow generated from operating activities		12,832	7,217	19,547
Cash flows from investing activities				
Purchase of investment properties		(202,780)	(67,213)	(288,004)
Proceeds from sale of investment property	8	14,100	31,196	54,671
Premiums paid for derivative financial instruments		(174)	-	-
Interest received		181	37	129
Net cash flow used in investing activities		(188,673)	(35,980)	(233,204)
Cash flows from financing activities				
Proceeds from shares issued in the period		199,551	-	175,250
Share issue costs paid		(3,894)	-	(3,403)
Dividend paid		(9,908)	(6,645)	(14,196)
Interest paid		(2,693)	(1,383)	(3,636)
Bank borrowings drawn		31,707	11,642	49,671
Loan arrangement fees paid		(1,137)	(54)	(1,403)

Net cash flow generated from financing activities		213,627	3,560	202,283
Net increase/(decrease) in cash and cash equivalents		37,786	(25,203)	(11,374)
Cash and cash equivalents at the beginning of the period		19,413	30,787	30,787
Cash and cash equivalents at the end of the period	12	57,199	5,584	19,413

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

This consolidated set of condensed financial statements has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and IAS 34 Interim Financial Reporting, as adopted by the European Union.

The condensed consolidated financial statements for the half-year ended 30 September 2019 have been reviewed by the Company's Independent Auditor, BDO LLP, in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity and were approved for issue on 25 November 2019. The condensed consolidated financial statements are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006.

The comparative financial information presented herein for the year ended 31 March 2019 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's Annual Report for the year ended 31 March 2019 has been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The condensed consolidated financial statements for the half-year ended 30 September 2019 have been prepared on a historical cost basis, as modified for the Group's investment properties and derivative financial instruments which have been measured at fair value through the statement of comprehensive income.

The condensed consolidated financial statements for the half-year ended 30 September 2019 are presented in Sterling, which is also the Company's functional currency, and values are rounded to the nearest thousand except where indicated otherwise.

The condensed consolidated financial statements have been prepared on a going concern basis.

The Group benefits from a secure long-term income stream from its strong tenants, which is not overly reliant on any one customer and presents a well-diversified risk. The Group's cash balance at 30 September 2019 was £68.70 million (30 September 2018: £11.82 million, 31 March 2019: £62.62 million) of which £57.20 million (30 September 2018: £5.58 million, 31 March 2019: £19.41 million) was readily available and £11.50 million (30 September 2018: £6.23 million, 31 March 2019: £43.20 million) was restricted.

Restricted cash is held by the bank subject to certain properties entering the security pool and is expected to be fully drawn down by 31 December 2019.

At 30 September the Group had £100 million (30 September 2018: £Nil, 31 March 2019: £Nil) of undrawn revolving credit facility.

At 30 September the Group's contingent liabilities relating to assets for which contracts to purchase had exchanged but substantial conditions remained outstanding totalled £35.24 million (30 September 2018: £Nil, 31 March 2019: £49.01 million) and capital commitments relating to forward funded assets of £58.58 million (30 September 2018: £10.39 million, 31 March 2019: £49.01 million), neither of which were recognised as balance sheet liabilities.

As a result of the future income stream from assets and excess of cash and undrawn banking facilities above contingent liabilities and commitments, 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 meet its liabilities as they fall due.

The Directors believe that there are currently no material uncertainties in relation to the Group's ability to continue in operation for the period of at least 12 months from the date of approval of the condensed consolidated financial statements. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the condensed consolidated financial statements is appropriate.

The Group has applied the same accounting policies in these condensed consolidated financial Statements as in its annual financial statements to 31 March 2019, except for those that relate to the new standard and interpretation effective for the first time for periods beginning on or after 1 January 2019. The new standard impacting the Group is:

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Previously, the Group was required to classify all leases as either operating or finance leases.

The Group adopted IFRS 16 using the modified retrospective approach with recognition of any transitional adjustments being made on the date of application (1 April 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is (or contains) a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019. The impact of the adoption of IFRS 16 is outlined in Note 2.

The Group has purchased a number of leasehold properties in the half-year. The accounting policy adopted by the Group is:

All leases where the Group is a lessee are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the lease payments of ground rents due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. The Group presents lease liabilities as headlease liabilities within trade and other payables (Note 13) in the Statement of Financial Position.

Right of use assets are initially measured at the amount of the lease liability, reduced for any tenant lease incentives received. As leasehold properties meet the definition of investment property, the right-of-use assets are presented within investment property (Note 8) and are subsequently measured at fair value.

2. Standards in issue and effective from 1 January 2019

IFRS 16 - Leases (effective 1 January 2019)

The Directors have given due consideration to the impact on the financial statements of IFRS 16 and have concluded that the adoption of the standard did not have a material impact on the financial statements at the date of initial application. This is because at the date of initial adoption, the Group had no material headlease obligations as lessee i.e. leasehold properties. Further, no changes have been identified in respect of these leases where the Group also acts as a lessor.

3. Rental income

	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Rental income from investment property	14,400	6,979	18,562
Accretion of tenant lease incentives (Note 8)	2,323	1,184	3,005
	16,723	8,163	21,567

4. Administrative and other expenses

	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000

Investment advisory fees	2,122	804	2,337
Legal and professional fees	211	155	352
Directors' fees	64	67	133
Employer's national insurance	20	5	14
Corporate administration fees	130	107	243
Other administrative costs	146	168	264
Advertising & Marketing	55	39	77
Fees paid to the Company's Independent Auditor	84	60	110
	2,832	1,405	3,530

Fees paid to the Company's Independent Auditor comprise £25,000 for the interim review (30 September 2018: £20,000, 31 March 2019: £20,000), £40,000 accrued in respect of the audit of the Annual Report and financial statements (30 September 2018: £40,000, 31 March 2019: £95,000) and £19,000 in respect of the audit of the subsidiary financial statements (30 September 2018: £Nil, 31 March 2019: £20,000).

The Company has paid £62,000 of additional non-audit fees to the Company's Independent Auditor in the half-year which have been treated as a reduction in equity as share issue costs (30 September 2018: £Nil, 31 March 2019: £66,000).

5. Finance income

	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Interest on cash held at bank	181	37	129
	181	37	129

6. Finance costs

	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Interest payable on bank borrowings	2,277	1,217	3,138
Amortisation of loan arrangement fees	189	72	171
Bank charges	1	1	3
	2,467	1,290	3,312

Capitalised finance costs are included within property acquisitions in Note 8. The total interest payable on financial liabilities carried at amortised cost comprised:

- (i) the interest payable on bank borrowings totalling £2,631,000 of which £354,000 was capitalised (30 September 2018: £1,381,000 of which £164,000 was capitalised, 31 March 2019: £3,437,000 of which £299,000 was capitalised); and
- (ii) the amortisation of loan arrangement fees totalling £199,000 of which £10,000 was capitalised (30 September 2018: £77,000 of which £5,000 was capitalised, 31 March 2019: £194,000 of which £23,000 was capitalised).

7. 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 provided the Group meets certain conditions as set out in the UK REIT regulations. 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%.

	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
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Current tax	-	-	-
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 year of 19% to the total tax charge in the consolidated statement of comprehensive income is as follows:

	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Profit before tax	33,800	17,136	34,116
Tax at the standard rate of UK corporation tax of 19%	6,422	3,256	6,482
Effects of:			
REIT exempt income	(2,189)	(1,599)	(3,453)
Revaluation of investment properties	(4,233)	(1,657)	(3,029)
Tax charge	-	-	-

UK REIT exempt income includes property rental income that is exempt from UK Corporation Tax in accordance with Part 12 of CTA 2010.

8. Investment property

	Investment property long leasehold £000	Investment property freehold £000	Investment property in course of construction £000	Total £000
Half-year ended 30 September 2019 (unaudited)				
Balance at 1 April 2019	33,216	451,252	27,059	511,527
Property acquisitions	78,290	97,704	46,764	222,758
Licence fee receivable (Note 25)	-	-	(945)	(945)
Tenant lease incentives (Note 3)	231	2,032	60	2,323
Property disposals	-	(14,100)	-	(14,100)
Change in fair value	1,041	11,407	9,827	22,275
Transfers of completed property	-	35,427	(35,427)	-
Balance at 30 September 2019	112,778	583,722	47,338	743,838
Half-year ended 30 September 2018 (unaudited)				
Balance at 1 April 2018	12,585	216,026	26,567	255,178
Property acquisitions	5,992	46,392	17,593	69,977
Licence fee receivable (Note 25)	-	-	(740)	(740)
Tenant lease incentives (Note 3)	39	1,112	33	1,184
Property disposals	-	(28,249)	-	(28,249)
Change in fair value	794	5,716	2,211	8,721
Transfers of completed property	-	13,232	(13,232)	-
Balance at 30 September 2018	19,410	254,229	32,432	306,071
Year ended 31 March 2019 (audited)				
Balance at 1 April 2018	12,585	216,026	26,567	255,178
Property acquisitions	19,872	230,543	39,740	290,155
Licence fee receivable (Note 25)	-	-	(1,499)	(1,499)
Tenant lease incentives (Note 3)	171	2,834	-	3,005
Property disposals	(1,319)	(49,934)	-	(51,253)
Change in fair value	1,907	10,573	3,461	15,941
Transfers of completed property	-	41,210	(41,210)	-

Balance at 31 March 2019	33,216	451,252	27,059	511,527
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The investment property has been independently valued at fair value by Knight Frank LLP, the Independent Valuer, 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 Board.

The Independent Valuer valued the entire property portfolio at £838.46 million at 30 September 2019 (30 September 2018: £318.79 million, 31 March 2019: £589.5 million) including capital commitments on forward funded assets and assets that had exchanged but not completed.

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

Reconciliation of fair value to total portfolio valuation

	At 30 September 2019 (unaudited) £000	At 30 September 2018 (unaudited) £000	At 31 March 2019 (audited) £000
Investment property at fair value	743,838	306,071	511,527
Carrying value of the leasehold liability (Note 13)	(5,612)	-	-
Capital commitments on forward funded assets (Note 23)	58,583	10,386	22,383
Vendor discount in respect of rent-free periods and top-ups	5,348	1,108	2,627
Licence fee receivable	1,063	1,225	633
Total completed portfolio valuation	803,220	318,790	537,170
Valuation of property exchanged but not completed	35,235	-	52,330
Total portfolio valuation	838,455	318,790	589,500

The valuation of investment property that is long leasehold where headlease rents are material are grossed up to include the carrying value of the leasehold liability.

Capital commitments represent the costs to bring the asset to completion under the funding agreements with the developers which includes a developer's margin. These costs are not provided for in the statement of financial position.

Vendor discounts in respect of rent-free periods and top-ups represent amounts by which a purchase price was reduced by the vendor on acquisitions to cover future rent-free periods or periods to the next rent review under the lease. The total portfolio valuation assumes the property to be income generating during the unexpired rent-free periods and passing rent to be the topped-up rent during the unexpired period to next rent review and therefore includes this income in the valuation.

Licence fee receivable represent amounts due from developers under funding agreements that have not been settled at the period end. The valuation assumes the property to be income generating throughout the period of development and therefore includes this income in the valuation.

Investment property at fair value

Valuation	Quoted prices in active markets (Level 1) £000	Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
30 September 2019 (unaudited)	-	-	743,838	743,838
30 September 2018 (unaudited)	-	-	306,071	306,071
31 March 2019 (audited)	-	-	511,527	511,527

There have been no transfers between levels during the half-year.

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

Valuation techniques

- *Standing assets*

Standing assets are valued using the investment valuation method. Using the investment valuation method, the passing rent is divided by an appropriate yield with a deduction of standard purchaser's costs. The method uses analysis of appropriate comparable investments, rental and sale transactions, together with evidence of demand within the vicinity of the subject property and of properties of a similar nature. The yield applied takes into account the size, location, terms, covenant strength and other material factors.

- *Investment property in the course of construction*

For property in the course of construction the fair value is calculated by estimating the fair value of the completed property using the income capitalisation technique less estimated costs to completion under fixed price developer funding agreements which include an appropriate developer's margin.

Observable input: passing rent

The prevailing rent at which space is let at the date of valuation, which ranged at 30 September 2019 from £11,000 to £3,241,000 (30 September 2018: £10,000 to £1,513,000, 31 March 2019: £10,000 to £3,241,000). Passing rents are dependent upon a number of variables in relation to the Group's property. These include: property use, 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, which ranged at 30 September 2019 from 3.99% to 6.49% (30 September 2018: 4.24% to 6.33%, 31 March 2019: 4.24% to 6.49%).

Sensitivities of measurement of significant inputs

As set out within significant accounting estimates and judgments above, the Group's property portfolio valuation is open to judgments and is inherently subjective by nature. The table below shows the sensitivities of measurement of the Group's investment property to certain inputs:

Valuation	-5% in passing rent £000	+5% in passing rent £000	+25 bps in net initial yield £000	-25 bps in net initial yield £000
30 September 2019 (unaudited)	(38,213)	40,124	(37,757)	41,678
30 September 2018 (unaudited)	(15,899)	15,929	(14,800)	16,327
31 March 2019 (audited)	(27,772)	25,838	(26,117)	26,818

Realised gain on disposal of investment property

During the half-year, the Group disposed of certain of its investment property. The table below shows a reconciliation of the gain recognised on disposal through the consolidated statement of comprehensive income and the realised gain on disposals in the year which includes changes in fair value of the investment property recognised in previous periods.

	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Consideration received	14,100	31,196	54,671
Less:			
Carrying value	(14,100)	(28,249)	(51,327)
Selling costs	-	(37)	(23)
Gain on disposal of investment property	-	2,910	3,321

Change in fair value recognised in previous periods	2,775	1,624	3,137
Realised gain on disposal of investment property	2,775	4,534	6,458

9. Interest rate derivatives

To mitigate the interest rate risk that arises as a result of entering into variable rate loans, the Group has traded an interest rate cap with a notional principal equal to the Group's variable rate RCF. The interest rate cap runs coterminous to the initial term of the facility and caps the rate to which 3-month Libor can rise at 1.40%, effectively capping the all-in interest rate payable at 2.95%.

	At 30 September 2019 (unaudited) £000	At 30 September 2018 (unaudited) £000	At 31 March 2019 (audited) £000
At beginning of the period	-	-	-
Premium paid	174	-	-
Changes in fair value of interest rate derivative	(80)	-	-
At end of the period	94	-	-

Interest rate derivatives at fair value

Valuation	Quoted prices in active markets (Level 1) £000	Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
30 September 2019 (unaudited)	-	94	-	94
30 September 2018 (unaudited)	-	-	-	-
31 March 2019 (audited)	-	-	-	-

There have been no transfers between levels during the half-year.

Interest rate derivatives are marked to market by the counterparty bank on a quarterly basis and any movement in the mark to market value of the derivative is recognised as a gain or loss in the consolidated statement of comprehensive income.

10. Financial instruments

Set out below is a comparison of the book value and fair value of the Group's financial instruments where a difference exists. The fair value of financial instruments not included in the comparison is equal to book value.

Bank borrowings	Book value £000	Fair value £000
30 September 2019 (unaudited)	166,227	186,165
30 September 2018 (unaudited)	93,321	92,639
31 March 2019 (audited)	167,311	166,064

11. Trade and other receivables

	At 30 September 2019 (unaudited) £000	At 30 September 2018 (unaudited) £000	At 31 March 2019 (audited) £000
Recoverable VAT	2,023	1,631	314
Licence fee receivable	726	1,225	633
Rent receivable	3,796	1,822	3,466
Prepayments and other receivables	314	64	284
	6,859	4,742	4,697

All amounts were due for receipt within one year.

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 30 September 2019. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Both the expected credit loss provision and the incurred loss provision in the current and prior year are immaterial. No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

Trade and other receivables that are financial assets amount to £4,522,000 (30 September 2018: £3,047,000, 31 March 2019: £4,099,000) which comprises licence fee receivable and rent receivable.

The following table sets out the ageing of trade and other receivables that are financial assets:

	At 30 September 2019 (unaudited) £000	At 30 September 2018 (unaudited) £000	At 31 March 2019 (audited) £000
30 days or fewer	4,522	3,047	4,099
31 to 60 days	-	-	-
61 to 90 days	-	-	-
91 days or more	-	-	-
	4,522	3,047	4,099

12. Cash reserves

	At 30 September 2019 (unaudited) £000	At 30 September 2018 (unaudited) £000	At 31 March 2019 (audited) £000
Cash at bank	46,032	4,182	19,219
Cash held by lawyers	11,167	1,402	194
Cash and cash equivalents	57,199	5,584	19,413
Restricted cash	11,497	6,234	43,204
Total cash at bank	68,696	11,818	62,617

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

	At 30 September 2019 (unaudited) £000	At 30 September 2018 (unaudited) £000	At 31 March 2019 (audited) £000
Accrued investment property costs	6,333	2,704	1,143
Deferred rental income	6,660	2,483	4,581
Accruals	622	440	390
Trade and other payables	10,528	1,681	1,798
Directors' fees	19	18	18
Corporation tax payable ¹	887	-	1,036
Amounts due within one year	25,049	7,326	8,966
Headlease liabilities	5,612	-	-
Amounts due in more than one year	5,612	-	-

Trade and other payables that are financial liabilities amount to £23,114,000 (30 September 2018: £4,843,000, 31 March 2019: £3,349,000) which comprises accrued investment property costs, accruals, trade and other payables, Directors' fees and headlease liabilities.

1 Corporation tax payable are liabilities of the Company's subsidiaries that accrued prior to acquisition and entry to the REIT regime. No tax liabilities have arisen within the Group and the tax charge for the half-year disclosed in Note 7 is £Nil (30 September 2018: £Nil, 31 March 2019: £Nil).

14. Bank borrowings

	Bank borrowings drawn £000	Bank borrowings undrawn £000	Total facilities £000
At 30 September 2019 (unaudited)			
At beginning of the period	170,000	-	170,000
New facilities	-	100,000	100,000
At end of the period	170,000	100,000	270,000
Less: unamortised loan arrangement fees	(3,773)	-	(3,773)
	166,227	100,000	266,227
At 30 September 2018 (unaudited)			
At beginning of the period	95,000	-	95,000
At end of the period	95,000	-	95,000
Less: unamortised loan arrangement fees	(1,679)	-	(1,679)
	93,321	-	93,321
At 31 March 2019 (audited)			
At beginning of the year	95,000	-	95,000
New facilities	-	75,000	75,000
Drawdowns	75,000	(75,000)	-
At end of the year	170,000	-	170,000
Less: unamortised loan arrangement fees	(2,689)	-	(2,689)
	167,311	-	167,311

Maturity of bank borrowings

	At 30 September 2019 (unaudited) £000	At 30 September 2018 (unaudited) £000	At 31 March 2019 (audited) £000
Repayable between 1 and 2 years	-	-	-
Repayable between 2 and 5 years	-	-	-
Repayable after 5 years	166,227	93,321	167,311
	166,227	93,321	167,311

At 30 September 2019, the Group's borrowings comprise the following three Term Loan Facilities with Scottish Widows Limited and an RCF with Lloyds Bank plc:

Term Loans Facilities

- A fixed rate, interest only loan facility of £55 million. The facility has an all-in rate of 2.93% pa, for the duration of the loan term and is due for repayment in July 2029;
- A fixed rate, interest only loan facility of £40 million. The facility has an all-in rate of 2.85% pa, for the duration of the loan term and is due for repayment in July 2029; and
- A fixed rate, interest only loan facility of £75 million. The facility has a fixed all-in rate payable of 2.99% pa, for the duration of the loan term and is due for repayment in December 2033.

RCF

- A £100 million revolving credit facility with Lloyds at a 1.55% margin over Libor on a three-year term ending August 2022, with two one-year extension options. The Group has traded an interest rate derivative to cap the interest on the £100 million at a total of 2.95% for the three-year term which is described in detail in Note 9.

The Group has remained compliant with the covenants throughout the period up to the date of this report. The facilities are secured against respective pools of the Group's investment property.

Reconciliation of bank borrowings to cash flows from financing activities

	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000	Year ended 31 March 2019 (audited) £000
Bank borrowings at start of the period	167,311	93,521	93,521
Cash flows from financing activities			
Bank borrowings drawn	31,707	11,642	49,671
Loan arrangement fees paid	(1,137)	(54)	(1,403)
Non-cash movements			
Amortisation of loan arrangement fees	53	77	194
(Decrease)/increase in restricted cash	(31,707)	(11,865)	25,328
Bank borrowings at end of the period	166,227	93,321	167,311

15. Share capital

Share capital	Number	£000
Half-year ended 30 September 2019 (unaudited)		
Balance at 1 April 2019	352,314,872	3,523
Issue of ordinary shares	169,111,138	1,691
Balance at 30 September 2019	521,426,010	5,214
Half-year ended 30 September 2018 (unaudited)		
Balance at 1 April 2018	196,881,707	1,969
Balance at 30 September 2018	196,881,707	1,969
Year ended 31 March 2019 (audited)		
Balance at 1 April 2018	196,881,707	1,969
Issue of ordinary shares	155,433,165	1,554
Balance at 31 March 2019	352,314,872	3,523

On 16 October 2018 the Company issued 155,433,165 additional shares of 1 penny nominal value and a premium of 111.75 pence per share for total consideration of £175.25 million.

On 17 June 2019 the Company issued 169,111,138 additional shares of 1 penny nominal value and a premium of 117 pence per share for total consideration of £200 million.

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.

Share premium	£000
Half-year ended 30 September 2019 (unaudited)	
Balance at 1 April 2019	229,270
Issue of ordinary shares	197,860
Issue costs	(3,894)
Balance at 30 September 2019	423,236
Half-year ended 30 September 2018 (unaudited)	
Balance at 1 April 2018	58,979
Balance at 30 September 2018	58,979
Year ended 31 March 2019 (audited)	
Balance at 1 April 2018	58,979
Issue of ordinary shares	173,696
Issue costs	(3,405)
Balance at 31 March 2019	229,270

17. Dividends

Dividends paid and proposed	£000
Half-year ended 30 September 2019 (unaudited)	
Final dividend in respect of the year ended 31 March 2019 at 1.375 pence per ordinary share	4,844
First interim dividend in respect of the year ending 31 March 2020 at 1.4375 per ordinary share	5,064
Total dividends paid	9,908
Total dividend per share paid in the period	2.8125p
Total dividend per share paid and proposed in respect of the period	2.8750p
Half-year ended 30 September 2018 (unaudited)	
Final dividend in respect of period ended 31 March 2018 at 2.00 pence per ordinary share	3,938
First quarterly dividend in respect of year ended 31 March 2019 at 1.375 pence per ordinary share	2,707
Total dividends paid	6,646
Total dividend per share paid in the half-year	3.375p
Total dividend per share paid and proposed in respect of the half-year	2.750p
Year ended 31 March 2019 (audited)	
Final dividend in respect of period ended 31 March 2018 at 2.00 pence per ordinary share	3,938
First quarterly dividend in respect of year ended 31 March 2019 at 1.375 pence per ordinary share	2,707
Second quarterly dividend in respect of year ended 31 March 2019 at 1.375 pence per ordinary share	2,707
Third quarterly dividend in respect of year ended 31 March 2019 at 1.375 pence per ordinary share	4,844
Total dividends paid	14,196
Total dividend per share paid in the year	6.125p
Total dividend per share paid and proposed in respect of the year	5.500p

Dividends in respect of the period ended 31 March 2018

On 21 May 2018, the Company proposed final dividend in respect of the year ended 31 March 2018 of 2.00 pence per ordinary share which was paid on 2 July 2018 to shareholders on the register at the close of business on 6 June 2018. The ordinary shares went ex-dividend on 7 June 2018. The final dividend was approved by shareholders at the Company's AGM on 26 June 2018.

Dividends in respect of the year ended 31 March 2019

On 6 August 2018, the Company announced first quarterly dividend in respect of the period from 1 April 2018 to 30 June 2018 of 1.375 pence per ordinary share which was paid on 28 September 2018 to ordinary shareholders on the register on 7 September 2018.

On 4 October 2018, the Company announced second quarterly dividend in respect of the period from 1 July 2018 to 30 September 2018 of 1.375 pence per ordinary share which was paid on 21 December 2018 to ordinary shareholders on the register on 12 October 2018.

On 14 February 2019, the Company announced third quarterly dividend in respect of the period from 1 October 2018 to 31 December 2018 of 1.375 pence per ordinary share which was paid on 29 March 2019 to ordinary shareholders on the register on 8 March 2019.

On 20 May 2019, the Company announced a final dividend in respect of the year ended 31 March 2019 of 1.375 pence per ordinary share, which was paid on 3 July 2019 to shareholders on the register on 31 May 2019. The final dividend was approved by shareholders at the Company's AGM on 26 June 2019.

Dividends in respect of the year ending 31 March 2020

On 5 June 2019 the Company announced the first quarterly dividend in respect of the period from 1 April 2019 to 30 June 2019 of 1.4375 pence per ordinary share which was

paid on 23 September 2019 to ordinary shareholders on the register on 14 June 2019.

On 25 November 2019 the Board approved the second quarterly dividend in respect of the period from 1 July 2019 to 30 September 2019 of 1.4375 pence per ordinary share, to be paid on 20 December 2019. The second interim dividend will be payable to shareholders registered on 6 December 2019 and the ex-dividend date will be 5 December 2019

18. Leases

The Group as lessor

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

Lease receivables	< 1 year £000	2-5 years £000	> 5 years £000	Total £000
30 September 2019 (unaudited)	36,704	149,376	672,143	858,223
30 September 2018 (unaudited)	17,516	70,114	334,058	421,688
31 March 2019 (audited)	25,924	107,096	491,411	624,431

The Group's leasing arrangements with tenants are described in detail in the Investment Advisor's Report. In summary, all of the Group's lease arrangements:

- 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 of rent reviews directly linked to inflation or on a fixed uplift basis; and
- have long contractual terms to first tenant break or expiry.

The Group as lessee

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

Lease payables	< 1 year £000	2-5 years £000	> 5 years £000	Total £000
30 September 2019 (unaudited)	250	819	27,736	28,805
30 September 2018 (unaudited)	-	-	-	-
31 March 2019 (audited)	-	-	-	-

The Group's leasing arrangements with lessors are headlease arrangements on land and buildings that have been sub-let under the Group's normal leasing arrangements (see above) to tenants. The Group carries its interest in these headlease arrangements as long leasehold investment property (Note 8).

19. Segmental information

Operating segments are 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 Board, comprising the non-executive Directors, and the Investment Advisor) in order to allocate resources to the segments and to assess their performance.

The internal financial reports 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 consolidated financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA and alternative performance measures as disclosed in Notes 25 and 26 and the Additional Information of the Company's Annual Report published on the Company's website on 20 May 2019.

The Group's property portfolio comprises investment property, diversified across nine different property sub-sectors. The Board considers that all the properties have similar economic characteristics. Therefore, in the view of the Board, there is one reportable segment.

All of the Group's properties are based in the UK and as such no geographical grouping is considered appropriate for segmental analysis.

During the half-year two (30 September 2018: one, 31 March 2019: one) tenant(s) contributed more than 10% of the Group's rental income from investment property and is therefore considered a major customer. The contributions of the major customers to rental income were £1,577,000 and £1,509,000 (30 September 2018: £836,000, 31 March 2019: 1,920,000).

20. Related party transactions

Fees of £64,000 were payable to the Directors in respect of the half-year (30 September 2018: £67,000, 31 March 2019: £133,000). At 30 September 2019, the amount of £19,000 was due to the Directors (30 September 2018: £18,000, 31 March 2019: £18,000) which were settled by way of purchase of shares in the Company on the open market.

During the half-year, the Directors purchased and held at the period end the following number of ordinary shares:

		30 September 2019 (unaudited) Number	30 September 2018 (unaudited) Number	31 March 2019 (audited) Number
Stephen Hubbard (Chairman)	Purchased	8,864	9,968	49,099
	Held	129,020	81,025	120,156
Colin Smith	Purchased	6,093	6,853	13,131
	Held	179,905	167,534	173,812
John Cartwright	Purchased	7,856	8,835	16,928
	Held	62,814	46,865	54,958
Jan Etherden	Purchased	6,610	7,428	13,404
	Held	50,852	38,266	44,242

On 16 October 2018 Stephen Hubbard purchased a further 30,000 ordinary shares at the Company's equity raise.

Ordinary shares acquired by the Directors pursuant to the arrangements above are subject to an 18-month Lock-in Deed.

The Board has determined that with effect from 1 January 2020 the Directors' remuneration will be paid to the Directors in cash.

Following consultation with an independent expert, the Board has also approved the following new rates of Directors' remuneration:

Role	Remuneration £000
Chairman's fee	75
Director's fee	40
Audit Committee Chair additional fee	5
Management Engagement Committee Chair additional fee	3

LXi REIT Advisors Limited is the Investment Advisor of the Company. Under the Investment Advisory agreement, the Investment Advisor advises the Company in relation to the management, investment and reinvestment of the assets of the Group.

The investment advisory fee is calculated in arrears in respect of each month, in each case based upon the average market capitalisation of the Company on the following basis:

- One-twelfth of 0.75 per cent per calendar month of market capitalisation up to or equal to £500 million; and
- 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.

A fee of £2,122,000 was payable to the Investment Advisor in respect of the half-year (30 September 2018: 804,000, 31 March 2019: £2,337,000). At 30 September 2019, £409,000 was due to the Investment Advisor (30 September 2018: £141,000, 31 March 2019: £273,000).

21. Consolidated entities

The Company owns 100% of the 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 Board of the Company has concluded that the Company has control over all these entities and all these entities have been consolidated within this set of condensed 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%
LXi Property Holdings 3 Limited	Property Investment	UK	100%
LXi Property Holdings 4 Limited	Property Investment	UK	100%
LXi Property Holdings 4a Limited	Property Investment	UK	100%
Alco 1 Limited*	Property Investment	UK	100%
FPI Co 219 Limited*	Property Investment	UK	100%
FPI Co 222 Limited*	Property Investment	UK	100%
FPI Co 223 Limited*	Property Investment	UK	100%
LXi Cowdenbeath Limited*	Property Investment	UK	100%
SM Plymouth Hotel Limited* Corby (General Partner)	Property Investment	UK	100%
Limited*	Property Investment	UK	100%
Corby Rail Services Limited*	Property Investment	UK	100%
Corby Limited Partnership*	Property Investment	UK	100%
Corby (No.2) Unit Trust*	Property Investment	Jersey	100%
Grove Property Unit Trust 8*	Property Investment	Jersey	100%
Grove Asset 8 S.A R.L.*	Property Investment	Luxembourg	100%

* Subsidiaries indirectly owned.

The registered office for UK subsidiaries is Mermaid House, 2 Puddle Dock, London, England, EC4V 3DB.

The registered office of Jersey subsidiaries is 26 New Street St Helier Jersey JE2 3RA.

The registered office of Luxembourg subsidiaries is 2 rue du Fosse, L-1536, Luxembourg.

22. Financial risk management

The Group is exposed to 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.

- **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 has reduced the interest rate risk on its external borrowing by fixing the rate of interest payable across all term loan facilities and acquiring an interest rate cap during the half-year with a notional value equal to the total RCF.

- **Credit risk**

Credit risk is the risk that a 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 risk on 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 arises 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 of low counterparty risk, the counterparties being banks with high credit ratings.

All financial assets are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in Note 11.

Credit risk related to leasing activities

In respect of occupational leasing arrangements, in the event of a default by a tenant, the Group may suffer a void period where no rents are received and incur additional re-letting costs. The quality of the tenant is assessed based on an extensive tenant covenant review scorecard prior to acquisition of the property. The assessment of the tenant credit worthiness is also monitored on an ongoing basis. Credit risk is assisted by the vast majority of occupational leases requiring that tenants pay rentals in advance. The

Investment Advisor monitors the rent collection in order to anticipate and minimise the impact of defaults by tenants. Outstanding rent receivables are regularly monitored.

• 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 financial liabilities on contractual undiscounted payments:

	< 3 months £000	3-12 months £000	1-5 years £000	> 5 years £000	Total £000
30 September 2019 (unaudited)					
Financial liabilities					
Bank borrowings (Note 14)	-	-	-	170,000	170,000
Interest payable on bank borrowings	1,258	3,750	19,989	33,654	58,651
Trade and other payables (Note 13)	17,502	-	898	4,714	23,114
	18,760	3,750	20,887	208,368	251,765
30 September 2018 (unaudited)					
Financial liabilities					
Bank borrowings (Note 14)	-	-	-	95,000	95,000
Interest payable on bank borrowings	689	2,066	11,020	16,070	29,845
Trade and other payables (Note 13)	4,843	-	-	-	4,843
	5,532	2,066	11,020	111,070	129,688
31 March 2019 (audited)					
Financial liabilities					
Bank borrowings (Note 14)	-	-	-	170,000	170,000
Interest payable on bank borrowings	1,208	3,650	19,391	34,712	58,961
Trade and other payables (Note 13)	3,349	-	-	-	3,349
	4,557	3,650	19,391	204,712	232,310

• 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 structure of the Group.
- The Board intends to maintain a conservative level of aggregate borrowings with a medium-term maximum target of 35% of the Group's total assets.

23. Capital commitments

At 30 September 2019 the Group had capital commitments of £58.58 million (30 September 2018: £10.39 million, 31 March 2019: £22.38 million) in relation to the cost to complete its forward funded pre-let development assets. All commitments fall due for settlement within one year from the date of this report.

24. Contingent liabilities

At 30 September 2019 the Group had contingent liabilities relating to acquisitions where contracts had been exchanged but substantial conditions to completion remained outstanding totalling £35.24 million (30 September 2018: £Nil, 31 March 2019: £49.01 million). All contingent liabilities are expected to fall due for settlement within one year from the date of this report.

25. Earnings per share

Earnings per share is 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. Amounts shown below are both basic and diluted measures as there were no dilutive instruments in issue throughout the current or comparative periods.

	Half-year ended 30 September 2019 (unaudited) £000	Half-year ended 30 September 2018 (unaudited) £000 ¹	Year ended 31 March 2019 (audited) £000 ¹
Earnings	33,800	17,136	34,116
Weighted average number of ordinary shares	449,345,853	196,881,707	267,571,859
Earnings per share ("EPS")	7.52p	8.70p	12.75p
Adjustments to remove:			
Change in fair value of investment property (Note 8)	(22,275)	(8,721)	(15,941)
Gain on disposal of investment property (Note 8)	-	(2,910)	(3,321)
Change in fair value of interest rate derivative (Note 10)	80	-	-
EPRA earnings	11,605	5,505	14,854
Weighted average number of ordinary shares	449,345,853	196,881,707	267,571,859
EPRA EPS	2.58p	2.80p	5.55p
Adjustments to include:			
Licence fees receivable (Note 8)	945	740	1,499
Amortisation of cash backed rental top ups and rent-free periods	637	132	445
Adjusted earnings	13,187	6,377	16,798
Weighted average number of ordinary shares	449,345,853	196,881,707	267,571,859
Adjusted EPS	2.93p	3.24p	6.28p

Adjusted EPS is a performance measure used by the Board to assess the Company's dividend payments. The metric adjusts EPRA earnings to include licence fees receivable from developers.

The Group's accounting policy for licence fees, cash backed rental top ups received from vendors and rent-free periods that are cash covered by developers receivable is to recognise them as a discount to the cost of the investment property, however the Board considers these returns an important component of the Group's performance and key to underpinning the Company's dividend targets and payment.

1 Reported Adjusted EPS for the comparative periods did not include an amount in respect of cash backed rental top ups and rent-free periods as they were not material. The Board considers the amortisation of these balances over the period to which they relate as key in assessing the level of dividend payment and has therefore updated its definition of adjusted earnings to include these amounts as they are now material. Comparative balances have been updated to reflect this change.

26. Net asset value per share

Net asset value per share is calculated by dividing the consolidated net assets attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding at the reporting date. Amounts shown below are both basic and diluted measures as there were no dilutive instruments in issue throughout the current or comparative periods.

	At 30 September 2019 (unaudited) £000	At 30 September 2018 (unaudited) £000	At 31 March 2019 (audited) £000
Net asset value ("NAV")	623,295	222,471	403,746
Number of ordinary shares	521,426,010	196,881,707	352,314,872
NAV per share	119.54p	113.00p	114.60p

Adjustments to calculate EPRA NAV:
Changes in fair value of interest rate derivatives

80 - -

EPRA NAV	623,375	222,471	403,746
Number of ordinary shares	521,426,010	196,881,707	352,314,872
EPRA NAV per share	119.56p	113.00p	114.60p

27. Post balance sheet events

Property acquisitions

On 28 October 2019, the Group legally completed on a £1.5 million forward funding of a drive-thru coffee shop in Stoke, pre-let to Starbucks on a new 15-year agreement for lease.

On 29 October 2019, the Group legally completed on a £9.7 million purchase and leaseback of a car park in Greater London, to Q-Park on a new 35-year lease.

On 19 November 2019, the Group legally completed on a £57.82 million forward funding of a jet maintenance facility at London Biggin Hill Airport, pre-let on a new 35-year agreement for lease.

Dividends

On 25 November 2019 the Board approved a second interim dividend in respect of the year ending 31 March 2020 of 1.4375 pence per share to be paid on 20 December 2019. The dividend will be payable to shareholders registered on 6 December 2019 and the ex-dividend date will be 5 December 2019.

28. Controlling parties

There is no ultimate controlling party of the Group.

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