



RNS Half-year/Interim Report

Half Year Results

LXI REIT PLC

Released 07:00:06 23 November 2020

RNS Number : 0835G
LXI REIT PLC
23 November 2020

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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 2020

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 2020 to 30 September 2020.

Financial highlights

	As at 30 September 2020	As at 30 September 2019	As at 31 March 2020
EPRA NTA ¹ and IFRS NAV per share	120.8p	119.6p	124.3p
Portfolio valuation ^{1,2}	£892.7m	£803.3m	£914.0m
Pro-forma LTV ¹	30%	26%	30%
Quarterly dividend target rate ³	1.44p	1.4375p	1.30p
	Half-year ended 30 September 2020	Half-year ended 30 September 2019	Year ended 31 March 2020
Operating profit before valuation changes	£17.6m	£13.9m	£31.9m
Total NAV return ¹	-0.6%	6.8%	13.4%
Average total NAV return to date ⁴	9.9% pa	11.7% pa	11.7% pa
Dividend per share	2.65p	2.875p	5.75p
Adjusted EPS ¹	3.3p	2.9p	6.3p
IFRS EPS	-0.8p	7.5p	15.2p

- EPRA net tangible assets ("NTA") and net asset value ("NAV") per share under IFRS was 120.8p at 30 September 2020 (31 March 2020: 124.3p), reflecting a half-year reduction of -2.9%, but remains 1.0% ahead of 30 September 2019 NTA of 119.6p
- Portfolio independently valued at £892.7m as at 30 September 2020 (31 March 2020: £914.0m) including all commitments on forward funded assets reflecting a half-year like for like reduction of -1.8% and a valuation yield of 5.0% net of full costs (31 March 2020: 5.0%). The like for like change was driven by the following key sector movements:
 - Industrial, which is the Group's largest sector exposure, demonstrated like for like valuation change of +3.3%, (which includes the positive impact of asset management initiatives described in the Investment Advisor's report);
 - Hotel and leisure assets like for like valuation change of -7.7%; and
 - Foodstores, car parks, care homes and other sector assets were broadly flat over the six-month period
- Pro-forma loan to value ("LTV") ratio at 30 September 2020 remained at 30% (31 March 2020: 30%), with significant headroom to our medium-term borrowing policy cap of 35% and banking covenant of 50%
- The Group's forward-looking quarterly dividend target rate as at 30 September 2020 (for the quarter to 31 December 2020) is 1.44p per share, which it expects to fully cover with rents collected in respect of the quarter
- Operating profit before valuation changes was £17.6m for the half-year (30 September 2019: £13.9m) representing an increase of 26.6% on the previous half-year
- Total NAV return was broadly flat at -0.6% (30 September 2019: 6.8%), with dividends largely offsetting the impact of the like for like change in portfolio valuation

- Average annual total NAV return of 9.9% pa (30 September 2019: 11.7% pa) since IPO in February 2017
- The two dividends paid and declared in respect of the half-year totalled 2.65p per share (30 September 2019: 2.875p per share) reflecting a 7.8% reduction on the previous rate, as a result of reduced rent collection now averaging 91% in respect of the half-year⁴
- Dividends were 1.2x covered by the Group's Adjusted earnings per share ("**EPS**") for the half-year of 3.3p (30 September 2019: 2.9p)
- The Group's EPS under IFRS for the half-year, which includes valuation movements, was broadly flat at -0.8p (30 September 2019: 7.5p)

Operating highlights

	As at 30 September 2020	As at 31 March 2020	Change
Average NIY on acquisitions to date ⁵	5.8%	5.8%	-
Average geared IRR on disposals to date ⁵	31% pa	34% pa	-3%
Rents containing index-linked/linked uplifts	96%	96%	-
Rents containing minimum uplifts	72%	61%	+11%
Average minimum uplift	2% pa	2% pa	-
WAULT to first break	22-years	22-years	-
FRI leases	100%	100%	-
Portfolio let or pre-let	100%	100%	-
Property sectors	9	9	-
Separate tenants	52	52	-

- Average net initial yield ("**NIY**") on acquisitions to date of 5.8% net of purchase costs (31 March 2020: 5.8%) representing an initial 280+ bps spread to the Group's average capped cost of debt, notwithstanding inflationary and fixed rental uplifts
- The Group's disposals to date have generated a weighted average geared internal rate of return ("**IRR**") of 31% pa (31 March 2020: 34% pa) and disposals in the half-year generated a geared IRR of 14% pa (31 March 2020: 37% pa)
- 96% of the Group's contracted rents contain upward only index-linked rent reviews or fixed uplifts (31 March 2020: 96%)
- 72% of contracted rent reviews contain either a collared or fixed uplift (30 September 2019: 61%), averaging 2% pa (31 March 2020: 2% pa), an effective income growth hedge in a lower inflationary environment
- The portfolio has a weighted average unexpired lease term ("**WAULT**") of over 22 years (31 March 2020: 22 years) to the earlier of lease expiry or first tenant break
- 100% of the Group's assets are let, or pre-let on full repairing and insuring ("**FRI**") leases (31 March 2020: 100%) avoiding exposure to void periods, cost leakage and capex requirements
- The portfolio is diversified across nine property sub-sectors and 52 separate tenants (31 March 2020: nine sectors, 52 tenants)

Post period end highlights

Dividends

- On 5 October 2020, the Board announced that the quarterly dividend per share target for the quarter ending 31 December 2020 increased 7% on the prior quarter to 1.44p³. The dividend is expected to be fully covered by rents collected in respect of the period and represents a marginally higher level than the Company's pre-pandemic dividend return level
- On 20 November 2020, the Board approved the quarterly dividend for the quarter ending 30 September 2020 of 1.35p per share, in line with the Group's previously announced target

Acquisitions and disposals

Since the half-year end the Group has executed the following acquisitions and disposals:

- Completed the acquisition of a £5m built Aldi foodstore in Lytham St Annes, with 18-years term certain remaining on the lease, with fixed five yearly rental uplifts of 2.5% pa compounded
- Completed the disposal of its only office asset in Cambuslang, Glasgow occupied by the local council, for proceeds of £8m, generating an attractive geared IRR of over 16% pa
- Exchanged on the disposal of its car storage facility in Corby let to BCA, for proceeds of £67.7m, which is expected to generate an attractive geared IRR of over 14% pa on completion. The Group is in legal on asset acquisitions which will fully deploy in short order the proceeds across a number of long-let, index-linked assets secured to strong tenant covenants at a materially higher entry yield

Debt restructure

- On 2 November 2020, the Group blended its three term loan facilities and reduced the fixed interest rate by 9 bps to 2.85% pa, which is expected to provide approximately £2.0m of cash saving over the extended term. The blended facility was also extended to a thirteen-year maturity, expiring in December 2033

Stephen Hubbard, Chairman of LXI REIT plc, commented:

"Against the backdrop of the Covid-19 pandemic, and the uncertainty and instability that it has brought on, the defensive characteristics of our highly diversified portfolio have allowed the Group to deliver a resilient set of financial results for the half-year.

During this period, we worked closely with our tenants to assist those facing the most significant operational upheaval and provide mutually beneficial and proportionate assistance, whilst protecting the interests of our shareholders. Throughout, we have continued to collect the vast majority of rents and to pay quarterly dividends to our shareholders at attractive levels, always on a fully covered basis.

Having collected 97% of the rents due, in early October I was pleased to announce a return to our pre-Covid-19 dividend level. We are currently targeting a dividend of 1.44p per share for the quarter ending 31 December 2020.

Clearly, we are in unprecedented times, and we remain cognisant of the potential for further changes to UK Government guidance that would impact our portfolio. However, I take comfort in the key attributes of our properties and lease arrangements that demonstrate defensive characteristics and I remain comforted by the strength of the platform and its ability to maintain ongoing and attractive returns to our shareholders."

FOR FURTHER INFORMATION, PLEASE CONTACT:

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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 expiry or 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 a quarterly dividend of 1.44 pence per ordinary share for the quarter that commenced on 1 October 2020³.

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

The Company is a constituent of the FTSE 250, EPRA/NAREIT and MSCI indices.

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

Notes

- 1 Further detail on Alternative Performance Measures can be found below and definitions given in the Key performance indicators and the EPRA performance measures sections and are otherwise included in the Glossary on page 99 of the Group's March 2020 Annual Report
- 2 The valuation includes forward funded commitments outstanding. A reconciliation to the IFRS fair value as per the consolidated statement of financial position is included in Note 7 to the consolidated financial statements
- 3 These are targets only and not a profit forecast and there can be no assurance that they will be met
- 4 Following expiry of rent repricing agreed with tenants
- 5 From IPO in February 2017 to the relevant period end date

Results presentation for investors and analysts and audio recording of results available

A Company presentation for investors and analysts will take place via a live webcast and conference call at 9.00am today.

For those who wish to access the live webcast, please register here: <https://www.investis-live.com/lxireit/5fa93a40248bc2120019b43b/jjsda>

For those who wish to access the live conference call, please contact Maitland/AMO at lxireit-maitland@maitland.co.uk or by telephone on +44 (0) 20 7379 5151.

The recording of the webcast/conference call and the presentation slides will be made available later on in the day via the Company website: www.lxireit.com/results-centre-2020

Alternative performance measures

The Group uses alternative performance measures including the European Public Real Estate ("EPRA") Best Practice Recommendations ("BPR") to supplement IFRS as the Board considers that these measures give users of the Annual Report and Financial Statements 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.

Reconciliations between EPRA and other alternative performance measures and the IFRS financial statements can be found in Notes 23 and 24 and in the Additional Information.

Definitions of alternative performance measures are given in the Key performance indicators and EPRA performance measures sections or otherwise included in the Glossary included in the Additional Information on page 99 of the Group's March 2020 Annual Report.

CHAIRMAN'S STATEMENT

Dear shareholder

This report follows an unprecedented six-months in which the Covid-19 pandemic has had a profound effect on the UK economy. As the effects of the pandemic unfold around us our understanding of the longer-term impact continues to develop.

As a Group, I have been pleased with the way that we have responded, operating effectively within the UK Government's guidance throughout the half-year and working proactively to support our tenants, whilst protecting the interests of our shareholders.

I thank all of our people, along with the Board, for the work that they have done and will continue to do, to protect the value of the Company for our fellow shareholders in these uncertain times.

The defensive characteristics of the portfolio, including the length and rent review profile of our leases, the quality of our tenant operators and the broad diversification of our sub-sector exposures, delivered robust performance from the Group's portfolio during the half-year.

We remain cognisant of the risk and potential impact of the current and potential future lockdowns and other short-term changes in UK Government guidance. The Board and management continue to act prudently and work closely with our tenants and other business partners to protect and enhance the value of the portfolio, to deliver secure, inflation protected income returns and capital growth to shareholders.

Dividends and results

The UK Government's continuing moratorium on landlord forfeiture rights for non-payment of rent impacted rent collections across the UK property investment market. The Group's portfolio was not immune to this, in particular in respect of our exposure to tenants in the leisure and hospitality sectors that suffered significant operational challenges.

The Investment Advisor was swift to respond to requests from our tenants who were experiencing real challenges and worked alongside them to arrange a reprofiling of their rents that would provide proportionate assistance. The Group's rent collection in respect of the two quarters covered by this half-year report now stands at 91%, inclusive of reprofiled rent payments (85% excluding rent reprofiling).

In response to the lower level of income, the Board reduced the dividend rate in respect of the quarter to 30 June 2020 to 1.30p per share (a 9% reduction on the prior year rate). The rate was then increased to 1.35p per share for the quarter to 30 September 2020 (a 6% reduction on the prior year rate).

In view of uncertainty over future UK Government measures to protect tenants (such as the moratorium on forfeiture), the Group also moved from annual to quarterly dividend guidance to allow a quicker response to the fast-moving landscape of UK Government guidance and provide more accurate targets.

After the half-year end, the Board was pleased to announce 97% rent collection in respect of the quarter ending 31 December 2020, rising to 98% when inclusive of reprofiled payments beyond the end of the quarter. The level of rent collection supported the announcement of a 7% increase in the dividend target to a quarterly rate of 1.44p per share for this quarter.

I am particularly pleased that the target dividend level now exceeds the pre-lockdown quarterly dividend target rate.

Dividends paid and declared during the period remain at a prudent level that we expect to be fully covered by rents collected in the relevant quarters to avoid capital erosion. The dividends paid and declared in respect of the half-year are covered by the Group's adjusted earnings and adjusted cash earnings. We will continue to provide quarterly dividend guidance.

The portfolio valuation delivered a like for like reduction of 2.9% for the six-months. At 30 September 2020 the portfolio was valued at of £892.7m reflecting a valuation net initial yield of 5.0%. The performance demonstrates the resilience of a long-let and index-linked portfolio of diversified assets in structurally supported sectors, let to market leading operators in good commercial locations.

The Group's EPRA NTA per share was 120.8p at 30 September 2020, which still exceeds the Group's NTA 12-months earlier and represents a 12-month total return of 5.7%, when coupled with dividends paid. The Group's total return for the six-months was broadly flat at -0.6%, in a period of significant upheaval.

Outlook and post balance sheet update

There is now greater optimism that there will be a workable vaccine by the end of 2020, that will have a significant benefit to the economy, and in particular the leisure and hospitality sectors. However, it is clear that with the impact of the crisis the UK will continue to suffer from challenging economic conditions in 2021.

The Board continues to monitor and review the additional risk in our portfolio. Many of our tenants are feeling the impact of changing customer behaviour and the increased overhead cost of new operational requirements. That being said, rent recoveries across the portfolio have trended upward since the first national lock-down in the UK ended in July, with 97% rent collection in respect of the quarter to December 2020.

As of 7 November 2020, a number of our tenants, particularly in the budget hotel and leisure sectors, are facing further operational disruption as a result of the one-month national lock-down, but we note some important changes to the previous national lock-down:

- Budget hotels can remain open, to service workers in key industries including construction, which drives a significant portion of occupancy for both Travelodge and Premier Inn.
- Within our leisure exposure, Dobbies Garden Centres have been given essential status and will remain open, as will our Starbucks and Costa drive-thrus. Our Greene King pubs will close but the majority will continue to sell food and alcohol on a takeaway basis.

As in the previous lock-down, our key exposures to industrial, healthcare and foodstores, will not be directly impacted, although clearly all sectors will suffer the indirect economic implications of the new measures.

Since the half-year end, we have continued to recycle capital in a way that enhances the portfolio's defensive characteristics and crystallises value where we believe it has been maximised, and we note continued interest in our portfolio.

We have carefully analysed the existing risks within our portfolio, in particular through our sector and tenant covenant exposures. Redeployment of capital provides us with the opportunity to enhance diversification and manage those exposures.

The advantage of a multi-sector investment strategy allows us to secure assets with an appropriate risk profile to withstand

the economic turbulence that will undoubtedly exist as a result of the Covid-19 crisis.

We will continue to focus on forward funded assets and 'off market' transactions that we believe will provide value to our shareholders.

Clearly, we are in unprecedented times, and we remain cognisant of the potential for further changes to UK Government guidance that would impact our portfolio. However, I take comfort in the key attributes of our properties and lease arrangements that demonstrate defensive characteristics, which are:

- 96% of our leases, by passing rent, contain indexed-linked or fixed uplifts;
- The Group's portfolio contains an inflation hedge with 72% of the portfolio containing either collared or fixed uplifts averaging 2% pa;
- 88% of leases having over 15-years to first break and an average unexpired lease term across the portfolio of 22-years to first break; and
- An income stream underpinned by a diverse group of assets across nine sectors, let to market leading operators of institutional quality.

I thank the Investment Advisor, the wider Board and all of our other advisers for their continued work in these challenging times. We remain focused on managing the risks that have arisen as a result of the crisis, along with the opportunities which it has created for us. I remain comforted by the strength of the platform and its ability to maintain ongoing and attractive returns to our shareholders.

Stephen Hubbard

Chairman

20 November 2020

INVESTMENT ADVISOR'S REPORT

This report covers the half-year from 1 April 2020 to 30 September 2020, beginning during the UK's national lock-down in response to the Covid-19 crisis, which remained in place for most of the six-month period.

The crisis continues to bring uncertainty for most areas of economic and social life, but the Group's portfolio remains well-positioned, demonstrating defensive characteristics that we expect to outperform in such times, as reflected in the financial performance for the half-year.

The resilience of our valuation is a reflection of our diversified portfolio of secure, long-let and index-linked property assets, across sub-sectors and tenants, and the significant discount that we have achieved and continue to achieve by deploying new and recycled capital into forward fundings and focussing on accretive value adding asset management initiatives.

Unsurprisingly, the disruption to the operation of many of the Group's assets has dampened investor sentiment and the impact on tenant financial strength and perception has seen a softening of valuations across some of the Group's hotel and leisure assets.

This has been offset by strong performance in those sectors that have been relatively less impacted by Covid-19, that continue to demonstrate stronger sentiment, in particular industrial, healthcare, car parks and foodstores.

The impact of Covid-19 has had a material effect on the Group's returns, and in particular dividends paid in respect of the half-year, as a result of lower rent collections for both quarters. Our proactive approach and relationships with our tenants and the strategic importance of our assets has meant that both quarters saw rent collection rates above 90%, following expiry of rent reprofiling. The details of concessions given to tenants are included in detail below.

Since the period end we were delighted to report a 97% rent collection for the September to December 2020 quarter which allowed us to recommend to the Board a 7% increase in the dividend target rate to 1.44p per share per quarter (5.76p annualised), which is higher than our pre-Covid-19 rate.

Portfolio overview

The Group's portfolio at 30 September 2020 consisted of 124 properties diversified across nine sub-sectors and let to 52 separate tenant groups.

The Group's lease arrangements provide contracted rent of £49.3m pa (including assets exchanged and not completed) and average over 22-years to first break, with 96% containing index-linked or fixed rental uplifts.

All leases are full repairing and insuring by the tenants, protecting the Group from property cost leakage and capex requirements.

The Group's property portfolio was valued at the half-year end at £892.7m, representing a like for like change of -1.8% over the six-month period. The valuation reflects a blended net initial yield of 5.0% (31 March 2020: 5.0%) and an average valuation of £7.2m across the individual assets.

The sectors contributing the most negative like for like valuation movements were the Group's hotel assets (-10.6%) and leisure assets (-1.6%). Industrial assets produced a positive like for like valuation change (+3.3%), which included the accretive impact of asset management initiatives described in detail below.

Despite the negative impact of Covid-19 on the valuations, the value of each of the Group's assets remains, on average, 11% ahead of purchase price. This demonstrates the benefit of our strategies of forward funding at a discount to built values, sourcing deals 'off market' and the positive value achieved through our ongoing asset management initiatives.

During the half-year, the Group completed the disposal of fourteen assisted living assets for total proceeds of £11.9m, 1% ahead of book value and 13% ahead of purchase price. The disposals generated a geared IRR of 15% pa for the Company.

To date, the Group's average geared IRR generated on disposals is 31% pa, across 37 separate assets, totalling disposal proceeds of £93.4m.

The Group completed on the acquisition of land at Porthmadog that is pre-let to Premier Inn at a NIY of 5.2% on a total purchase price of £6.5m. The property is expected to take 10 months to build and will subsequently be let on a 25-year lease with five-yearly rental uplifts in line with CPI, capped at 4% pa and collared at 1% pa. The Group also exchanged on three foodstore anchored assets let to Aldi or Lidl that completed after the period end and are detailed below in the post balance sheet events section.

The four acquisitions in the half-year, including those exchanged but not completed, reflected an average NIY of 5.5% and the average NIY across all acquisitions to date is 5.8%, net of actual purchase costs.

During the half-year the Group completed 41 contracted rent reviews. The rent reviews averaged 2.1% pa, outperforming both RPI and CPI and demonstrating the benefits of the Group's fixed and collared uplifts.

The Group's acquisitions (contracted rents of £1.6m pa) and disposals (contracted rents of £0.3m pa) resulted in an uplift in the period of the Group's total contracted rent of £1.3m pa, to £49.3m pa, including pre-lets and assets that had exchanged but not completed at the year end.

A summary of the Group's assets and exposures at 30 September 2020 is provided in the Property Portfolio section of this report.

Asset management

The Group's significant uplift in valuation within the industrial sector was in part driven by the accretive re-gear of the BCA car storage facility in Corby, which represents one of the largest assets in the portfolio.

The asset was originally acquired in 2018, with just under 18-years remaining on the lease, for £60m reflecting a NIY on acquisition of 5.25%.

The Investment Advisor negotiated an extension to the lease term from 16-years to 25-years, with no tenant break right.

The rent review was also converted from uncapped RPI with no collar, to RPI, capped at 2.5% pa and collared at 1.5% pa, providing a valuable minimum rental uplift in a low inflationary environment.

The restructure of the lease brought the terms within the core institutional requirements and after the half-year, following significant unsolicited interest, the Company has exchanged contracts unconditionally to sell the asset at an exit yield of 4.45%.

The disposal proceeds represent a 13% uplift on purchase price and the sale is expected to generate a geared IRR for the Company of 14% pa when the deal completes on 30 November 2020.

Forward funding strategy

Throughout the half-year the Group continued to progress on its forward funding sites with limited disruption caused by Covid-19. The strategy provides the Group with brand new assets in locations that tenants want to be in at a significant discount to built values, whilst avoiding any material development risk.

The Group's forward funding projects experienced limited disruption and the majority of sites continued to operate throughout lock down, with the remainder reopening within a month. The following assets reached practical completion in the period:

- The forward funded Travelodge budget hotel pre-let on an unbroken 25-year lease with ancillary Costa Coffee drive-thru pre-let on an unbroken 20-year lease, in Workington.
- 10 of the 13 forward funded Starbucks/Costa drive-thru portfolio forward funded on Morrisons foodstore car parks pre-let on unbroken 15-year leases, in diverse locations across the UK.

Tenant support provided

Throughout the period, no support or concessions were requested from the vast majority of the Group's tenants, who continued to pay rents as they fell due.

However, the sudden and forced closure of certain assets and significant operational disruption to others, forced cash flow pressures on certain of our tenant operators.

The following summarises the concessions and support provided to the Group's tenants:

Travelodge CVA

During the half-year, following the temporary forced closure of almost all of its hotels, Travelodge Hotels Limited underwent a CVA. The arrangement was approved in June 2020 and provided significant rent concessions from landlords along with further debt and equity funding from Travelodge's shareholders to support short-term liquidity.

Travelodge categorised its leased assets as category A, B, C1 or C2, which would be treated under the CVA as follows:

- Category A hotels would receive full rent and interest paid on overdue rent in line with the leases. Pre-let assets were classified separately under the CVA but are treated in line with Category A assets
- Category B hotels would receive 30% of rent for the rest of 2020 and 70% throughout 2021. A landlord only break option (at no cost) before 20 November 2020
- Category C1 hotels would receive no rent for 2020 and 2021 with a landlord only break option (at no cost) before December 2021
- Category C2 hotels would contain a tenant break option as well as receiving no rent for the remainder of 2020 and 2021.

Given the trading performance and strategic importance of the Group's Travelodge assets, six of its 12 hotels were classified or treated in line with Category A (including the two pre-let assets), with four in Category B, two in Category C1 and none of the Group's assets were classified as Category C2.

The Group has since restructured both of its Category C1 leases, extending the lease terms significantly and reducing the rent to a materially more profitable level for Travelodge. As part of these restructures the group triggered the lease extensions on its Category B assets and agreed a material improvement on the rent payments under the CVA. This demonstrates the quality of both the relationship and the assets, that have been developed as a direct consequence of our forward funding strategy.

Other concessions granted

The Group also provided other, less material forms of support for tenants that resulted in waivers being granted totalling £0.8m in respect of the half-year. The Group also offered reprofiling of payments resulting in total long-term rental debtors from tenants (due in more than one year) at 30 September 2020 totalling £1.2m, that are subject to side letters, of which £0.7m were rents due in respect of the half-year and £0.5m due in respect of the following quarter to December 2020.

Financial results

The portfolio has produced strong financial results over the three and a half years since IPO, and the Group has consistently outperformed our targets. The Group's performance over the last six months has been impacted by Covid-19, but our performance has remained robust relative to most of our peers.

Total NAV return

	30 Sep 2020	30 Sep 2019
Total NAV return	-0.6%	6.8%

The Group's total NAV return comprises both income returns, through dividends paid to shareholders, and portfolio capital returns, through changes in EPRA NTA during the half-year. A detailed description of the dividend per share and EPRA NTA growth is given below.

The Group provided a broadly flat total NAV return in a period of unprecedented disruption as a result of the onset of Covid-19, which reflects the benefits of the broad diversification of the portfolio and accretive asset management initiatives that we implemented.

EPRA NTA

	30 Sep 2020	31 Mar 2020
EPRA NTA per share	120.8p	124.3p

During the six-months, the Group's EPRA NTA reduced by 2.9%. The reduction reflects the net impact of those movements described in the portfolio section above as a result of Covid-19.

The growth provided in the three years prior to the onset of the global pandemic, through forward funding, buying assets 'off market' and accretive recycling of capital, has provided a wide capital buffer to investor capital and our net asset value remains 23% ahead of the 98p at IPO, and also remains 1% ahead of the Group's EPRA NTA per share at 30 September 2019 of 119.6p.

Dividend per share

	30 Sep 2020	30 Sep 2019
Dividend per share	2.65p	2.875p

In respect of the half-year, the Company has paid and approved dividends totalling 2.65p per share. The dividend per share reflects a reduction of 8% on the previous half-year, reflecting the impact of Covid-19 on the Group's rent collection and the tenant support provided, described above.

Our quarterly dividend levels in the midst of the pandemic have been prudent, and as a result our dividends have been 1.2x covered by Adjusted EPS of 3.3p (30 September 2019: 2.9p), and 1.0x covered by Adjusted cash EPS of 2.6p (30 September 2019: 2.4p).

Total expense ratio

	30 Sep 2020	31 Mar 2020
Total expense ratio (annualised)	1.0%	1.1%

Through successful equity raises and conservative leverage, the Group has achieved significant scale, meaning that incremental management fees (above £500m of market cap.) are charged at a low 65 bps of market cap.

We operate stringent capital discipline on all of the Group's costs, whilst focussing on the best quality counterparties, to ensure that income is passed on to our shareholders.

As we continue to grow our capital base and passing rents, we expect further efficiencies to be gained that will be reflected in a reducing total expense ratio and a growing dividend rate.

Loan to value

	30 Sep 2020	31 Mar 2020
Pro-forma LTV	30%	30%

During the half-year, the Group's debt pool comprised 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 expected to be maintained at a pro-forma LTV of 30% following full drawing of the Group's RCF, with headroom to the Group's medium-term target maximum loan to value ratio of 35% as well as the loan to value financial covenant that is 50%.

Facility	Lender	Size	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. The term loans have a weighted average fixed interest cost of 2.94% pa² and an average maturity of 10-years².

Fixing the rate of interest on these facilities gives the Group long-term certainty over its ability to generate significant growth in the generation of free cash flows as a result of largely collared index-linked and fixed rental uplifts, and the positive effects of conservative leverage.

The RCF with Lloyds Bank plc attracts interest at 1.55% above three-month LIBOR and provides the Group with operational flexibility and reduced finance costs, allowing for:

- the immediate repayment of the facility when new equity is issued or with capital generated from the Group's strategy of selectively disposing of assets and prior to the reinvestment of capital; and
- the matching of debt drawdowns to reflect developers' cash requirements on forward funding projects, ensuring that interest is only suffered to the extent that a greater return is being generated on those drawdowns through licence fee arrangements.

The RCF gives the Group a new source of debt finance, in Lloyds Bank plc. Its shorter dated maturity provides the Group with flexibility to refinance, should this represent value, to a more mature debt structure in the medium-term as the Group grows in scale and builds further track record.

In order to hedge uncertainty over the exposure to the floating rate of interest under the RCF, whilst retaining the upside of low interest rates over the medium-term, the Group traded an interest rate cap in 2019 at the notional value of the maximum facility of the RCF of £100m. This gives the Company certainty over its maximum cost of debt for the entire term of the RCF at 2.95% pa.

On 2 November 2020, the Group restructured its three term loans, reducing the blended interest rate by 9 bps to a fixed 2.85% pa all-in rate, and extended the maturity of all loans to December 2033. The restructuring is expected to provide a cost saving over the next 13-years of £2.0m to the Group.

1 Assumes extension options are exercised

2 Weighted by drawn value as at 30 September 2020

Inflation performance

The half-year has seen inflation drop to low annual levels, but remains significantly ahead of open market rental growth. From April to September 2020, CPI annual growth averaged 0.6% pa and RPI averaged 1.1% pa. The Group's 41 contracted rental uplifts in the period reflected average growth of 2.1% pa.

Market forecasts expect RPI and CPI to continue to significantly outperform open market rental growth and the Group's fixed and collared rent reviews, totalling 72% of the portfolio and averaging 2% pa, provide further certainty to income growth.

Post balance sheet

Dividends

On 5 October 2020, the Board announced that the quarterly dividend per share target for the quarter ending 31 December 2020 would increase 7% on the prior quarter to 1.44p. The dividend is expected to be fully covered by rents collected in respect of the period and represents a marginally higher level than the Company's pre-pandemic dividend return level.

On 20 November 2020, the Board approved the quarterly dividend for the quarter ending 30 September 2020 of 1.35p per share, in line with the Group's previously announced target.

Acquisitions and disposals

Since the half-year end the Group has executed the following acquisitions and disposals:

- Completed the acquisition of a £5m built Aldi foodstore in Lytham St Annes, with 18-years term certain remaining on the lease, with fixed five yearly rental uplifts of 2.5% pa compounded
- Completed the disposal of its only office asset in Cambuslang, Glasgow occupied by the local council, for proceeds of £8m, generating an attractive geared IRR of over 16% pa
- Exchanged unconditionally on the disposal of its car storage facility in Corby let to BCA, for proceeds of £67.7m, which is expected to generate an attractive geared IRR of over 14% pa on completion. The Group is in legal on asset acquisitions which will fully deploy in short order the sale proceeds across a number of long-let, index-linked assets secured to strong tenant covenants at a materially higher entry yield
- Exchanged on the disposal of a non-operational plot adjacent to its Travelodge hotel in Llanelli (held at zero book value) to a petrol filling station operator for £0.5m. The land was not used by the hotel and the sale has not reduced its rental level or investment value.

Outlook

The first half of 2020 saw an unprecedented drop in global stock markets as an immediate reaction to the impact of Covid-19, but markets have since rallied, despite the full extent of economic impact still being uncertain.

During economic downturns, the properties that tend to demonstrate the most robust performance and lower levels of volatility are those with characteristics that include:

- Leases that generate a fixed level of rent, not contractually linked to underlying property performance, with regular inflationary uplifts;
- Institutional-quality tenants that are market leaders in their respective sub-sectors, that are well placed to navigate periods of uncertainty;
- Competitive tenant markets with low levels of property specification, meaning that alternative users exist and a lower level of capex is required to replace existing tenants;
- Low and sustainable rental levels; and
- Long unexpired lease terms that alleviate exposure to re-letting risk.

The portfolio pro-forma LTV remains prudent with significant headroom to internal disciplines (35% cap) and covenants (50% cap) and the Investment Advisor and Board remain committed to maintaining our LTV at the current level.

As with any downturn, the sharpening of pricing for secure inflation-protected income brings with it an increased interest in the Group's high quality portfolio and we remain abreast of unsolicited interest and will look to crystallise gains through disposals ahead of book value where opportunities exist to recycle capital into accretive acquisitions that defensively manage the Group's exposures.

The Investment Advisor will seek to utilise this interest and our 'off market' deal pipeline, to reposition the portfolio and continue to enhance our exposures to those sectors with the most positive outlook and structural support.

We are pleased to have increased the Group's dividend target to 1.44p per quarter, shortly after the half-year end, a rate that reflects growth on the pre-Covid-19 divided level, that we expect to be fully covered by Adjusted cash earnings in the quarter.

UK inflation expectations continue to compare favourably to those for open market rental growth over the medium-term, despite significantly reducing over the last six months. With 96% of our leases by passing rent containing index-linked or fixed uplifts we are positioned well to benefit from this going forward.

The Group also is yet to benefit from many five yearly rent reviews in the portfolio that will capture inflation performance over the past five years as they take place.

The Group's portfolio contains an attractive inflation hedge through embedded rental growth regardless of inflation performance with 72% of the portfolio containing either collared or fixed rental uplifts, averaging 2% pa, regardless of the slowdown in UK inflation.

For and on behalf of the Investment Advisor

Simon Lee	Frederick Brooks
Director	Director
LXi REIT Advisors	LXi REIT Advisors
20 November 2020	20 November 2020

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
1. Total NAV return Total NAV return measures the change in the EPRA NAV and dividends during the period as a percentage of EPRA NAV at the start of the period. We are targeting a minimum of 8% per annum 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. A reconciliation of total NAV return is provided in the Additional Information section.	-0.6% (30 September 2019: 6.8%; 31 March 2020: 13.4%)
2. Dividend per share Dividends paid to shareholders and proposed in relation to a period.	The dividend reflects our ability to deliver a low risk but growing income stream from our portfolio and is a key element of our total NAV return.	2.65p (30 September 2019: 2.875p; 31 March 2020: 5.75p)
3. 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 income from our portfolio, which ultimately underpins our dividend payments. A reconciliation of Adjusted earnings is included in Note 23 to the consolidated financial statements.	3.3p (30 September 2019: 2.9p; 31 March 2020: 6.3p)
4. Total expense ratio The ratio of total operating expenses, including management fees expressed as a percentage of the average 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.	1.0% (annualised) (30 September 2019: 1.0%; 31 March 2020: 1.1%)
5. EPRA NTA 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. At the current and comparative period end there were no differences between EPRA NTA and IFRS NAV.	The NTA reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.	120.8p (30 September 2019: 119.6p; 31 March 2020: 124.3p)
6. Pro-forma LTV The proportion of our total assets that is funded by borrowings. Our target maximum LTV is 35%.	The LTV measures the prudence of our financing strategy, balancing the additional returns and portfolio diversification that come with using debt against the need to successfully manage risk.	30% (30 September 2019: 30%; 31 March 2020: 30%)
7. Weighted average unexpired lease term The average unexpired lease term 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 (30 September 2019: 22-years; 31 March 2020: 22-years)
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.	This measures the extent to which we are investing in line with our investment objective, to provide inflation-linked returns.	96% (30 September 2019: 96%; 31 March 2020: 96%)

EPRA PERFORMANCE MEASURES

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

Reconciliations of EPRA Earnings and NAV measures are included in Notes 23 and 24 to the consolidated financial statements respectively. Reconciliations of other EPRA performance measures in the Notes to the EPRA and alternative performance measures further below.

Measure and Definition	Purpose	Performance
1. EPRA Earnings	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.	2.9p (30 September 2019: 2.6p; 31 March 2020: 5.6p)
2. EPRA Net Tangible Assets ("NTA")	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	120.8p (30 September 2019: 119.6p; 31 March 2020: 124.3p)
3. EPRA Net Reinstatement Value ("NRV")		131.3p

	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	(30 September 2019: 130.8p; 31 March 2020: 135.7p)
4. EPRA Net Disposal Value ("NDV")	Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	116.9p (30 September 2019: 115.7p; 31 March 2020: 121.2p)
5. EPRA Net Initial Yield ("NIY")	EPRA NIY is annualised net rents on investment properties as a percentage of the investment property valuation, less purchaser's costs.	5.2% (30 September 2019: 5.1%; 31 March 2020: 5.1%)
6. EPRA 'Topped-Up' NIY	The 'topped-up' 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).	6.8% (30 September 2019: 6.3%; 31 March 2020: 6.3%)
7. EPRA Vacancy	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	0% (30 September 2019: 0%; 31 March 2020: 0%)
8. EPRA Cost Ratio	A key measure to enable meaningful measurement of the changes in a company's operating costs.	14.2% (30 September 2019: 16.9%; 31 March 2020: 17.1%)

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 30 of the 31 March 2020 Annual Report were unchanged during the period and for the remaining six months of the financial year.

From the beginning of the current financial year, the Covid-19 pandemic has become a principal risk to the business. We expect this to continue into 2021. Much of the uncertainty and challenge that the pandemic has had on the business has been outlined in this report. The Board, alongside management has been and will continue to work diligently to anticipate and contain its impact.

The condensed consolidated financial statements have been prepared on a going concern basis (Note 1).

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 18 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 at www.lxireit.com.

For and on behalf of the Board

Stephen Hubbard
Chairman
20 November 2020

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 half-yearly financial report for the six months ended 30 September 2020 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 half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial 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 half-yearly financial report for the six months ended 30 September 2020 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 half-yearly 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
20 November 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Half-year ended 30 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
Rental income	2	20.3	16.7	38.5
Administrative and other expenses	3	(2.7)	(2.8)	(6.6)
Operating profit before change in fair value and gain on disposal of investment property		17.6	13.9	31.9
Change in fair value of investment property	7	(18.9)	22.3	45.4
(Loss)/gain on disposal of investment property	7	(0.1)	-	1.2
Change in fair value of financial instruments		-	(0.1)	(0.1)
Operating profit/(loss)		(1.4)	36.1	78.4
Finance income	4	-	0.2	0.2
Finance costs	5	(2.6)	(2.5)	(5.0)
(Loss)/profit before tax		(4.0)	33.8	73.6
Taxation	6	-	-	-
(Loss)/profit and total comprehensive income attributable to shareholders		(4.0)	33.8	73.6
(Loss)/earnings per share - basic and diluted	23	(0.8)p	7.5p	15.2p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Half-year ended 30 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
Non-current assets				
Investment property	7	822.3	743.9	809.7
Trade and other receivables	9	1.2	-	-
Total non-current assets		823.5	743.9	809.7
Current assets				
Trade and other receivables	9	10.9	6.9	10.1
Deferred acquisition costs		0.3	0.7	0.5
Restricted cash	10	9.7	11.5	-

Cash and cash equivalents	10	20.7	57.2	13.4
Total current assets		41.6	76.3	24.0
Total assets		865.1	820.2	833.7
Current liabilities				
Trade and other payables	11	23.4	25.1	16.1
Total current liabilities		23.4	25.1	16.1
Non-current liabilities				
Bank borrowings	12	208.4	166.2	166.1
Trade and other payables	11	3.5	5.6	3.5
Total non-current liabilities		211.9	171.8	169.6
Total liabilities		235.3	196.9	185.7
Net assets		629.8	623.3	648.0
Equity				
Share capital	13	5.2	5.2	5.2
Share premium reserve	14	423.2	423.2	423.2
Capital reduction reserve		76.7	106.0	90.9
Retained earnings		124.7	88.9	128.7
Total equity		629.8	623.3	648.0
NAV per share - basic and diluted	24	120.8p	119.6p	124.3p
EPRA NTA per share	24	120.8p	119.6p	124.3p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2020	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2020		5.2	423.2	90.9	128.7	648.0
Profit and total comprehensive income attributable to shareholders		-	-	-	(4.0)	(4.0)
Dividends paid in the half-year	15	-	-	(14.2)	-	(14.2)
Balance at 30 September 2020		5.2	423.2	76.7	124.7	629.8
Year ended 30 September 2019	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2019		3.5	229.3	115.9	55.1	403.8
Profit and total comprehensive income attributable to shareholders		-	-	-	33.8	33.8
Transactions with owners						
Issue of ordinary shares in the half-year	13,14	1.7	197.9	-	-	199.6
Share issue costs	14	-	(4.0)	-	-	(4.0)
Dividends paid in the half-year	15	-	-	(9.9)	-	(9.9)
Balance at 30 September 2019		5.2	423.2	106.0	88.9	623.3
Year ended 31 March 2020	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2019		3.5	229.3	115.9	55.1	403.8

Profit and total comprehensive income attributable to shareholders	-	-	-	73.6	73.6
Transactions with owners					
Issue of ordinary shares in the year	13,14	1.7	197.9	-	199.6
Share issue costs	14	-	(4.0)	-	(4.0)
Dividends paid in the year	15	-	-	(25.0)	(25.0)
Balance at 31 March 2020	5.2	423.2	90.9	128.7	648.0

CONSOLIDATED CASH FLOW STATEMENT

	Note	Half-year ended 30 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
Cash flows from operating activities				
(Loss)/profit before tax		(4.0)	33.8	73.6
Adjustments for:				
Finance income	4	-	(0.2)	(0.2)
Finance costs	5	2.6	2.5	5.0
Change in fair value of investment property	7	18.9	(22.3)	(45.4)
Loss/(gain) on disposal of investment property	7	0.1	-	(1.2)
Change in fair value of derivative		-	0.1	0.1
Accretion of tenant lease incentives	2	(3.5)	(2.3)	(5.4)
Operating results before working capital changes		14.1	11.6	26.3
Increase in trade and other receivables		(0.6)	(2.1)	(4.9)
(Decrease)/Increase in trade and other payables		(1.6)	3.4	4.4
Net cash flow generated from operating activities		11.9	12.9	25.8
Cash flows from investing activities				
Purchase of derivative		-	(0.2)	(0.2)
Purchase of investment properties		(38.2)	(202.8)	(260.1)
Proceeds from sale of investment property		2.1	14.1	20.9
Interest received		-	0.2	0.2
Net cash flow used in investing activities		(36.1)	(188.7)	(238.8)
Cash flows from financing activities				
Proceeds from shares issued in the period		-	199.6	199.6
Share issue costs paid		-	(3.9)	(3.9)
Dividend paid		(7.5)	(9.9)	(25.0)
Interest paid		(2.9)	(2.7)	(4.7)
Drawdown of borrowings		42.0	31.7	43.2
Loan arrangement fees paid		(0.1)	(1.2)	(2.2)
Net cash flow generated from financing activities		31.5	213.6	207.0
Net decrease in cash and cash equivalents		7.3	37.8	(6.0)
Opening cash and cash equivalents		13.4	19.4	19.4
Closing cash and cash equivalents	10	20.7	57.2	13.4

NOTES TO THE 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 UK 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 2020 have been reviewed by the Company's Independent Auditor, BDO LLP, in accordance with the International Standard on Review Engagements 240 Review of Interim Financial Information Performed by the Independent Auditor of the Entity and were approved for issue on 20 November 2020. 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 2020 does not constitute full statutory accounts within the meaning of Section 435 of the Companies Act 2006. The Group's Annual Report for the year ended 31 March 2020 has been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified. It did include reference to material uncertainty in the valuation, to which the auditors drew attention by way of emphasis without qualifying their report.

The condensed consolidated financial statements for the half-year ended 30 September 2020 have been prepared on a historical cost basis, as modified for the Group's investment properties and derivative financial instruments which are carried at fair value with changes presented in the statement of comprehensive income.

The condensed consolidated financial statements are presented in Sterling, which is the Company's presentation and functional currency, and values are rounded to the nearest million pounds, except where indicated otherwise.

Going concern

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

The Group has a healthy liquidity position, a favourable debt maturity profile and substantial headroom against financial covenant levels.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about its future trading performance including the impact of Covid-19. Various forms of sensitivity analysis have been performed having a particular regard to the financial performance of its tenants, taking into account any discussions held with tenants surrounding operating performance and the current and ongoing rent collection levels achieved by the Group.

As at 30 September 2020, the Group had £26.8m of cash and working capital and £58.0m of undrawn commitments under its revolving credit facility. At 30 September 2020, the Group had also unconditionally exchanged on disposals for proceeds of £8.5m, with a completion date in December 2020. The Group's total or available capital was therefore £93.3m.

Of this available capital, £67.6m was committed under pre-let forward fundings (Note 21) and a further £17.3m was committed under contracts for the acquisition of properties that had exchanged but not completed (Note 22), resulting in £8.4m of uncommitted capital.

The Group has also completed the disposal of two further assets since the half-year end with disposal proceeds totalling £8.5m.

The Group's pro-forma loan to value at 30 September 2020 was 30%, with the debt the Group's term loans (£170.0m) averaging 10-year maturities (which has been extended to 13-years after the half-year end) and the RCF (£100.0m total and £42.0m drawn) falling due in August 2024. As at the date of approval of this report, the Group has substantial headroom within its financial loan covenants.

The Group's financial covenants have been complied with for all loans throughout the period and up to the date of approval of these financial statements.

As a result, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (which is considered to be a period of at least 12 months from the date of approval of the financial statements).

Summary of significant accounting policies

The accounting policies adopted in this report are consistent with those applied in the Group's consolidated financial statements for the year ended 31 March 2020 and are expected to be applied consistently during the year ending 31 March 2021.

Summary of significant judgments and estimates

The judgments and estimates adopted in this report are consistent with those applied in the Group's consolidated financial statements for the year ended 31 March 2020 and are expected to be applied consistently during the year ending 31 March 2021.

New standard issued and effective from 1 January 2020

The following new accounting amendments have been applied in preparing these condensed consolidated financial statements:

- Amendments to IFRS 3 "Business Combinations", definition of a business
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", definition of material
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

They are not expected to impact the Group significantly as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

New standards issued but not yet effective

Amendment to IFRS 16 regarding Covid-19-related rent concessions was issued in May 2020, for annual reporting periods beginning on or after 1 June 2020 (earlier application is permitted). It permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The impact of this amendment is considered immaterial as the Group does not hold any material operating or leasehold agreements as lessee.

There are other new standards and amendments to standards and interpretations which have been issued that are effective in future accounting periods, and which the Group has decided not to adopt early. None of these are expected to have a material impact on the condensed consolidated financial statements of the Group.

2. Rental income

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
	£m	£m	£m
Rental income before rent concessions	17.6	14.4	33.1
Less: rent concessions granted	(0.8)	-	-
Rental income from investment property	16.8	14.4	33.1
Accretion of tenant lease incentives (Note 7, 23)	3.5	2.3	5.4
	20.3	16.7	38.5

3. Administrative and other expenses

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
	£m	£m	£m
Investment advisory fees (Note 18)	2.1	2.1	4.5
Legal and professional fees	0.2	0.2	0.6
Other administrative costs	0.1	0.1	0.4
Corporate administration fees	0.1	0.1	0.3
Fees paid to the Company's Independent Auditor			
Auditor	0.1	0.1	0.2
Directors' fees (Note 18)	0.1	0.1	0.2
Advertising & Marketing	-	0.1	0.1
Expected credit loss	-	-	0.3
	2.7	2.8	6.6

Fees paid to the Company's Independent Auditor comprise the review of the Interim Report, the audit of the Annual Report and the audit of the financial statements of the Company's subsidiaries.

The Company paid £nil of additional fees to the Company's Independent Auditor in respect of reporting accountant services in the half-year which have been recognised directly in equity as share issue costs (30 September 2019: £0.1m, 31 March 2020: £0.1m).

4. Finance income

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
	£m	£m	£m
Interest on cash held at bank	-	0.2	0.2
	-	0.2	0.2

5. Finance costs

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
	£m	£m	£m
Interest payable on bank borrowings	2.2	2.3	4.4
Amortisation of loan arrangement fees	0.4	0.2	0.6
	2.6	2.5	5.0

Capitalised finance costs are included within property acquisitions in Note 7. The total interest payable on financial liabilities carried at amortised cost comprised:

- the interest payable on bank borrowings totalling £2.8m of which £0.6m was capitalised (30 September 2019: £2.6m of which £0.3m was capitalised, 31 March 2020: £5.4m of which £1.0m was capitalised); and
- the amortisation of loan arrangement fees totalling £0.4m of which £nil was capitalised (30 September 2019: £0.2m of which £nil was capitalised, 31 March 2020: £0.6m of which £nil was capitalised).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the half-year was 2.94% pa.

6. Taxation

The Group is a 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% for the year.

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
	£m	£m	£m
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 half-year of 19% to the total tax charge in the consolidated statement of comprehensive income is as follows:

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
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	£m	£m	£m
(Loss)/profit before tax	(4.0)	33.8	73.6
Tax at the standard rate of UK corporation tax of 19%	(0.8)	6.4	14.0
Effects of:			
REIT exempt income and gains	(3.6)	(2.2)	(5.4)
Revaluation of investment properties	4.4	(4.2)	(8.6)
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.

7. Investment property

	Investment property long leasehold £m	Investment property freehold £m	Investment property in course of construction £m	Total £m
Half-year ended 30 September 2020				
Balance at 1 April 2020	107.3	592.3	110.1	809.7
Property acquisitions	-	0.4	40.9	41.3
Licence fee receivable (Note 23)	-	-	(1.6)	(1.6)
Tenant lease incentives (Note 2)	0.5	2.6	0.4	3.5
Property disposals	(0.2)	(11.5)	-	(11.7)
Change in fair value	(5.6)	(9.3)	(4.0)	(18.9)
Transfers of completed property	4.6	12.0	(16.6)	-
Balance at 30 September 2020	106.6	586.5	129.2	822.3
Half-year ended 30 September 2019				
Balance at 1 April 2018	33.2	451.2	27.1	511.5
Property acquisitions	78.3	97.7	46.8	222.8
Licence fee receivable (Note 23)	-	-	(0.9)	(0.9)
Tenant lease incentives (Note 2)	0.2	2.0	0.1	2.3
Property disposals	-	(14.1)	-	(14.1)
Change in fair value	1.1	11.4	9.8	22.3
Transfers of completed property	-	35.5	(35.5)	-
Balance at 30 September 2019	112.8	583.7	47.4	743.9
Year ended 31 March 2020				
Balance at 1 April 2019	33.2	451.2	27.1	511.5
Property acquisitions	71.8	105.2	92.2	269.2
Licence fee receivable (Note 23)	-	-	(2.1)	(2.1)
Tenant lease incentives (Note 2)	0.5	4.9	-	5.4
Property disposals	-	(19.7)	-	(19.7)
Change in fair value	1.8	9.2	34.4	45.4
Transfers of completed property	-	41.5	(41.5)	-
Balance at 31 March 2020	107.3	592.3	110.1	809.7

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 £892.7m at 31 March 2020 (30 September 2019: £803.3m, 31 March 2020: £914.0m) including capital commitments on forward funded assets.

Reconciliation of fair value to portfolio valuation

	Half-year ended 30 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
Investment property at fair value	822.3	743.9	809.7
Capital commitments on forward funded assets (Note 21)	67.6	58.6	101.2
Vendor discount in respect of rent-free periods and top-ups	3.8	5.3	4.7
Licence fee receivable	2.5	1.1	1.9
Leasehold liability (Note 11)	(3.5)	(5.6)	(3.5)
Total completed portfolio valuation	892.7	803.3	914.0

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.

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

Investment property at fair value

Valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£m	£m	£m	£m
30 September 2020	-	-	822.3	822.3
30 September 2019	-	-	743.9	743.9
31 March 2020	-	-	809.7	809.7

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. 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.

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	+5% in passing rent	+25bps in net initial yield	-25bps in net initial yield
	£m	£m	£m	£m
30 September 2020	(44.6)	53.6	(42.2)	46.6
30 September 2019	(38.2)	40.1	(37.8)	41.7
31 March 2020	(45.7)	45.7	(43.5)	48.1

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 half-year which includes changes in fair value of the investment property recognised in previous periods.

	Half-year ended 30 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
Consideration received	11.8	14.1	20.9
Less:			
Carrying value	(11.7)	(14.1)	(19.7)
Selling costs	(0.2)	-	-
(Loss)/gain on disposal of investment property	(0.1)	-	1.2
Add:			
Change in fair value recognised in previous periods	1.2	2.8	2.9
Realised gain on disposal of investment property	1.1	2.8	4.1

8. 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 £m	Fair value £m
30 September 2020	208.4	228.8
30 September 2019	166.2	186.2
31 March 2020	166.1	186.3

9. Trade and other receivables

	Half-year ended 30 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
Recoverable VAT	1.4	2.0	1.2
Licence fee receivable	2.6	0.7	1.1
Rent receivable	6.6	3.8	7.5
Prepayments and other receivables	0.3	0.4	0.3
Amounts due within one year	10.9	6.9	10.1
Rent receivable	1.2	-	-
Amounts due in more than one year	1.2	-	-

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 31 March 2020. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's tenants. The expected credit loss provision and the incurred loss provision as at 30 September 2020 is £0.3m (30 September 2019: £nil, 31 March 2020 is £0.3m).

Rents receivable that fall due in more than one year relate to deferrals granted to our tenants that suffered the most significant operational disruptions as a result of the UK's national lock-down during the half-year.

Trade and other receivables that are financial assets amount to £10.4m (30 September 2019: £4.5m, 31 March 2020: £8.6m) which comprises licence fee receivable and rent receivable.

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

	Half-year ended 30 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
30 days or fewer	7.6	4.5	8.6
31 to 60 days	0.5	-	-
61 to 90 days	0.5	-	-
91 to 365 days	0.4	-	-
Over one year	1.2	-	-
	10.2	4.5	8.6

10. Cash reserves

	Half-year ended 30 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
Cash at bank	19.5	46.0	13.2
Cash held by lawyers	1.2	11.2	0.2

Cash and cash equivalents	20.7	57.2	13.4
Restricted cash	9.7	11.5	-
Total cash at bank	30.4	68.7	13.4

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.

Restricted cash is money held in accounts to which the Group does not have immediate access and as such do not form part of the Group's short-term cash management. These amounts arise both when initially drawing on term-loans prior to the bank taking adequate security and where a securitised asset is disposed prior to the bank replacing the asset with adequate security.

11. Trade and other payables

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
	£m	£m	£m
Accrued investment property costs	4.1	6.4	2.2
Deferred rental income	7.7	6.7	7.3
Accruals	0.7	0.6	0.7
Trade and other payables	10.0	10.5	5.0
Corporation tax payable*	0.9	0.9	0.9
Amounts due within one year	23.4	25.1	16.1
Leasehold liability (Note 7)	3.5	5.6	3.5
Amounts due in more than one year	3.5	5.6	3.5

Trade and other payables that are financial liabilities amount to £18.3m (30 September 2019: £23.1m, 31 March 2020: £11.4m) which comprises accrued investment property costs, accruals, trade and other payables and the leasehold liability.

* 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 6 is £nil (30 September 2019: £nil, 31 March 2020: £nil).

12. Bank borrowings

	Drawn	Undrawn	Total
	£m	£m	£m
Half-year ended 30 September 2020			
At beginning of the half-year	170.0	100.0	270.0
New facilities	-	-	-
Drawdowns	42.0	(42.0)	-
At end of the half-year	212.0	58.0	270.0
Less: unamortised loan arrangement fees	(3.6)	-	(3.6)
	208.4	58.0	266.4
Half-year ended 30 September 2019			
At beginning of the half-year	170.0	-	170.0
New facilities	-	100.0	100.0
Drawdowns	-	-	-
At end of the half-year	170.0	100.0	270.0
Less: unamortised loan arrangement fees	(3.8)	-	(3.8)
	166.2	100.0	266.2
Year ended 31 March 2020			
At beginning of the year	170.0	-	170.0
New facilities	-	100.0	100.0
Drawdowns	-	-	-
At end of the year	170.0	100.0	270.0
Less: unamortised loan arrangement fees	(3.9)	-	(3.9)
	166.1	100.0	266.1

Maturity of bank borrowings

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
	£m	£m	£m
Repayable between 1 and 2 years	-	-	-
Repayable between 2 and 5 years	42.0	-	-
Repayable after 5 years	166.4	166.2	167.3
	208.4	166.2	167.3

The Group's borrowings comprise the following three term loan facilities with Scottish Widows Limited and one revolving credit facility with Lloyds Bank plc:

Term loans facilities

- A fixed rate, interest only loan facility of £55.0m. 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 £40.0m. 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 £75.0m. 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.

Revolving credit facility

- A revolving credit facility of £100.0m (of which £42.0m was drawn as at 30 September 2020) 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 £100.0m at a total of 2.95%.

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 liabilities to cash flows from financing activities

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
	£m	£m	£m
Bank borrowings at start of the period	166.2	167.3	167.3
Cash flows from financing activities			
Bank borrowings drawn*	42.0	31.7	43.2
Loan arrangement fees paid	(0.1)	(1.2)	(2.2)
Non-cash movements			
Amortisation of loan arrangement fees	0.3	0.2	1.0
(Decrease)/increase in restricted cash	-	(31.8)	(43.2)
Bank borrowings at end of the period	208.4	166.2	166.1

* includes amounts paid out of restricted cash which are not classified as cash and cash equivalents. These drawdowns are not included in the drawdowns disclosed in the first table included in this note.

13. Share capital

	Number (million)	Share capital £m
Half-year ended 30 September 2020		
At beginning of the half-year	521.4	5.2
At the end of the half-year	521.4	5.2
Issued and fully paid	521.4	5.2
Half-year ended 30 September 2019		
At beginning of the half-year	352.3	3.5
Issued during the half-year	169.1	1.7
At the end of the half-year	521.4	5.2
Issued and fully paid	521.4	5.2
Year ended 31 March 2020		
At beginning of the year	352.3	3.5
Issued during the year	169.1	1.7
At the end of the year	521.4	5.2
Issued and fully paid	521.4	5.2

On 17 June 2019, the Company issued 169.1 ordinary shares at 118.0p per share (1p nominal value and a premium of 117p) for total consideration of £200 million.

14. 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.

	Half-year ended 30 Sep 2020	Half-year ended 30 Sep 2019	Year ended 31 Mar 2020
	£m	£m	£m
Share premium reserve			
At the beginning of the period	423.2	229.3	229.3
Premium on issue of ordinary shares	-	197.9	197.9
Share issue costs	-	(4.0)	(4.0)
At the end of the period	423.2	423.2	423.2

15. Dividends

Dividends paid and declared in the half-year ended 30 September 2020	£m

Final dividend in respect of year ended 31 March 2020 at 1.4375p per share	7.5
First quarterly dividend in respect of year ending 31 March 2021 at 1.30p per share	6.7
Total dividends paid	14.2
Total dividend per share paid in the half-year	2.7375p
Total dividend per share paid and proposed in respect of the half-year	2.65p

Dividends per share paid and proposed in respect of the half-year comprises:

- The first interim dividend in respect of the year ending 31 March 2021 of 1.3p per share, declared in September and paid in October 2020
- The second interim dividend in respect of the year ending 31 March 2021 of 1.35p per share, declared in November and due to be paid in December 2020

Dividends paid and declared in the half-year ended 30 September 2019		£m
Final dividend in respect of year ended 31 March 2019 at 1.375p per share	4.8	
First quarterly dividend in respect of year ended 31 March 2020 at 1.4375p per share	5.1	
Total dividends paid	9.9	
Total dividend per share paid in the half-year	2.8125p	
Total dividend per share paid and proposed in respect of the half-year	2.875p	

Dividends per share paid and proposed in respect of the half-year comprises:

- The first interim dividend in respect of the year ended 31 March 2020 of 1.4375p per share, declared in September and paid in October 2019
- The second interim dividend in respect of the year ended 31 March 2021 of 1.4375p per share, declared in November and paid in December 2019

Dividends paid and declared in the year ended 31 March 2020		£m
Final dividend in respect of year ended 31 March 2019 at 1.375p per share	4.8	
First quarterly dividend in respect of year ended 31 March 2020 at 1.4375p per share	5.2	
Second quarterly dividend in respect of year ended 31 March 2020 at 1.4375p per share	7.5	
Third quarterly dividend in respect of year ended 31 March 2020 at 1.4375p per share	7.5	
Total dividends paid	25.0	
Total dividend per share paid in the year	5.6875p	
Total dividend per share paid and proposed in respect of the year	5.75p	

Dividends per share paid and proposed in respect of the year comprises:

- The first interim dividend in respect of the year ended 31 March 2020 of 1.4375p per share, declared in September and paid in October 2019
- The second interim dividend in respect of the year ended 31 March 2020 of 1.4375p per share, declared in November and paid in December 2019
- The third interim dividend in respect of the year ended 31 March 2020 of 1.4375p per share, declared in February and paid in March 2020
- The fourth interim dividend in respect of the year ended 31 March 2020 of 1.4375p per share, declared in May and paid in July 2020

16. 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 £m	2-5 years £m	> 5 years £m	Total £m
30 September 2020	37.1	159.3	661.5	857.9
30 September 2019	36.7	149.4	672.1	858.2
31 March 2020	38.7	159.7	694.4	892.8

An overview of the Group's leasing activities is given in the Investment Advisors Report which includes detail of concessions granted to tenants during the half-year.

The Group as lessee

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid

after the reporting date:

Lease payables	< 1 year	2-5 years	> 5 years	Total
	£m	£m	£m	£m
30 September 2020	0.1	0.3	11.1	11.5
30 September 2019	0.3	0.8	27.7	28.8
31 March 2020	0.1	0.3	13.3	13.7

The above is in respect of leasehold properties held by the Group. There are 29 properties (30 September 2019: 30, 31 March 2020: 30) held under leasehold with lease ranges from 99 years to 999 years.

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 7).

17. 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 23 and 24 and the Additional Information.

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 the Group had no tenant (30 September 2019: two, 31 March 2020: none) that is considered a major customer, contributing more than 10% of the Group's turnover. The Group's turnover is allocated to major customers as follows:

	Half-year ended 30 Sep 2020		Half-year ended 30 Sep 2019		Year ended 31 Mar 2020	
	£m	£m	£m	£m	£m	£m
Major customers (each more than 10%)	0%	-	21%	3.1	0%	-
Other tenants (each less than 10%)	100%	16.8	79%	11.3	100%	33.1
Rental income from investment property (Note 2)	100%	16.8	100%	14.4	100%	33.1

18. Related party transactions

Transactions with the Board of Directors

In respect of the half-year ended 30 September 2020 fees of £0.1m were payable to the Directors (30 September 2019: £0.1m, 31 March 2020: £0.2m). Since 1 January 2020 the Directors' fees have been settled in cash.

The following table summarises the number of ordinary shares purchased during the half-year by Directors and the number of ordinary shares held at 30 September 2020:

		Half-year ended		Year ended
		30 Sep 2020	30 Sep 2019	31 Mar 2020
		Number	Number	Number
Stephen Hubbard	Purchased	-	8,864	49,233
	Held	169,389	129,020	169,389
Colin Smith OBE	Purchased	-	6,093	49,097
	Held	222,909	179,905	222,909
John Cartwright*	Purchased	-	7,856	11,729
	Held	66,687	62,814	66,687
Jan Etherden	Purchased	-	6,610	13,032
	Held	57,274	50,852	57,274
Patricia Dimond	Purchased	8,714	-	-
	Held	8,714	-	-

* Includes a company wholly owned by John Cartwright and persons closely associated (as defined by the EU Market Abuse Regulation) with him.

None of the Directors sold any shares in the Company during the half-year.

Transactions with the Investment Advisor

A fee of £2.1m was payable to the Investment Advisor in respect of the half-year (30 September 2019: £2.1m, 31 March 2020: £4.5m). At 30 September 2020, £0.5 was due to the Investment Advisor (30 September 2019: £0.4m, 31 March 2020: £0.4m).

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:

(a) One-twelfth of 0.75% per calendar month of market capitalisation up to or equal to £500 million; and

(b) One-twelfth of 0.65% per calendar month of market capitalisation above £500 million.

No performance fee is payable to the Investment Advisor.

19. 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 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*	Property Investment	UK	100%
Corby (General Partner) 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 Asset 8 S.A R.L.*	Property Investment	Luxembourg	100%
LXi Spirit Limited	Property investment	Isle of Man	100%

* Subsidiaries indirectly owned.

The registered office for UK subsidiaries is 1st Floor Senator House 85 Queen Victoria Street London EC4V 4AB.

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.

The registered office of Isle of Man subsidiaries is First Names House, Victoria Road, Douglas, IM2 4DF

20. 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.

• 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 9.

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 period a void period where no rents are received and 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 £m	3-12 months £m	1-5 years £m	> 5 years £m	Total £m
30 September 2020					
Bank borrowings (Note 12)	-	-	42.0	170.0	212.0
Interest payable on bank borrowings	1.5	4.6	23.2	28.6	57.9
Trade and other payables	14.8	0.1	0.3	11.1	26.3
	16.3	4.7	65.5	209.7	296.2
30 September 2019					
Bank borrowings (Note 12)	-	-	-	170.0	170.0
Interest payable on bank borrowings	1.3	3.7	20.0	33.7	58.7
Trade and other payables	17.5	-	0.9	4.7	23.1
	18.8	3.7	20.9	208.4	251.8
31 March 2020					
Bank borrowings (Note 12)	-	-	-	170.0	170.0
Interest payable on bank borrowings	1.2	3.7	20.0	31.2	56.1
Trade and other payables	8.6	-	0.9	1.9	11.4
	9.8	3.7	20.9	203.1	237.5

• 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.

The Group has remained compliant with all of its banking covenants during and since the half-year ended.

21. Capital commitments

At 30 September 2020 the Group had capital commitments of £67.6m (30 September 2019: £58.6m, 31 March 2020: £101.2m) in relation to the cost to complete its forward funded pre-let development assets. All commitments are expected to fall due for settlement within one year from the date of this report.

22. Contingent liabilities

At 30 September 2020 the Group had contingent liabilities in respect of acquisitions for which contracts had exchanged but material conditions to completion remained outstanding as at that date of £17.3m (30 September 2019: £35.2m, 31 March 2020: £nil) in relation to the cost to complete its forward funded pre-let development assets. All contingent liabilities are expected to fall due for settlement within one year from the date of this report.

23. 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 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
(Loss)/earnings	(4.0)	33.8	73.6
Weighted average number of ordinary shares (million)	521.4	449.3	485.4
EPS	(0.8)p	7.5p	15.2p
Adjustments to remove:			
Change in fair value of investment property	18.9	(22.3)	(45.4)
(Loss)/gain on disposal of investment property	0.1	-	(1.2)
Change in fair value of interest rate derivative	-	0.1	0.1
EPRA earnings	15.0	11.6	27.1
Weighted average number of ordinary shares (million)	521.4	449.3	485.4
EPRA EPS	2.9p	2.6p	5.6p
Adjustments to include:			
Licence fees receivable	1.6	0.9	2.1
Amortisation of cash backed rental top ups and rent-free periods	0.6	0.7	1.3

Adjusted earnings	17.2	13.2	30.5
Weighted average number of ordinary shares (million)	521.4	449.3	485.4
Adjusted EPS	3.3p	2.9p	6.3p

Adjustments to remove:

Accretion of tenant lease incentives	(3.5)	(2.3)	(5.4)
Adjusted cash earnings	13.7	10.9	25.1

Weighted average number of ordinary shares (million)	521.4	449.3	485.4
Adjusted cash EPS	2.6p	2.4p	5.2p

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.

24. 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.

	Half-year ended 30 Sep 2020 £m	Half-year ended 30 Sep 2019 £m	Year ended 31 Mar 2020 £m
NAV	629.8	623.3	648.0
Number of ordinary shares (million)	521.4	521.4	521.4
NAV per share	120.8p	119.6p	124.3p

A reconciliation of IFRS NAV per share to the three EPRA NAV measures under the new BPR (NTA, NRV and NDV) and the two measures under old BPR (NAV and NNNAV) is included in the section Notes to EPRA NAV calculations.

25. Post balance sheet events

Dividends

- On 5 October 2020, the Board announced that the quarterly dividend per share target for the quarter ending 31 December 2020 increased 7% on the prior quarter to 1.44p. The dividend is expected to be fully covered by rents collected in respect of the period and represents a marginally higher level than the Company's pre-pandemic dividend return level
- On 20 November 2020, the Board approved the quarterly dividend for the quarter ending 30 September 2020 of 1.35p per share, in line with the Group's previously announced target

Acquisitions and disposals

Since the half-year end the Group has executed the following acquisitions and disposals:

- Completed the acquisition of a £5m built Aldi foodstore in Lytham St Annes, with 18-years term certain remaining on the lease, with fixed five yearly rental uplifts of 2.5% pa compounded
- Completed the disposal of its only office asset in Cambuslang, Glasgow occupied by the local council, for proceeds of £8m, generating an attractive geared IRR of over 16% pa
- Exchanged on the disposal of its car storage facility in Corby let to BCA, for proceeds of £67.7m, which is expected to generate an attractive geared IRR of over 14% pa on completion
- Exchanged on the disposal of a non-operational plot adjacent to its Travelodge hotel in Llanelli to a petrol filling station operator for £0.5m. The land was not used by the hotel and the sale has not reduced its rental level

Debt restructure

- On 2 November 2020 the Group blended its three term loan facilities and reduced the fixed interest rate by 9 bps to 2.85%, which is expected to provide approximately £2.0m of cash saving over the extended term. The blended facility was also extended to a thirteen-year maturity, expiring in December 2033

26. Controlling parties

There is no ultimate controlling party of the Group.

NOTES TO EPRA NAV CALCULATIONS

In October 2019, EPRA issued new BPR for financial guidelines on its definitions of NAV measures: EPRA NTA, EPRA NRV and EPRA NDV. The Group has adopted these new guidelines and applies them in the Interim Report for the half-year ended 30 September 2020.

The Group considered EPRA NTA to be the most relevant NAV measure for the Group and we are now reporting this as our primary NAV measure, replacing our previously reported EPRA NAV and EPRA NAV per share metrics. EPRA NTA excludes the cumulative fair value adjustments for debt-related derivatives which are unlikely to be realised.

As at 30 September 2020	Current measures			Previous measures	
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA NAV £m	EPRA NNNAV £m

Net asset value	629.8	629.8	629.8	629.8	629.8
Mark-to-market adjustments of derivatives	0.2	0.2	-	0.2	-
Fair value of debt	-	-	(20.4)	-	(20.4)
Real estate transfer tax	-	54.7	-	-	-
At 30 September 2020	630.0	684.7	609.4	630.0	609.4
Number of ordinary shares (million)	521.4	521.4	521.4	521.4	521.4
Per share	120.8p	131.3p	116.9p	120.8p	116.9p
As at 30 September 2019					
	Current measures			Previous measures	
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA NAV £m	EPRA NNAV £m
Net asset value	623.3	623.3	623.3	623.3	623.3
Mark-to-market adjustments of derivatives	0.1	0.1	-	0.1	-
Fair value of debt	-	-	(19.9)	-	(19.9)
Real estate transfer tax	-	58.5	-	-	-
At 30 September 2019	623.4	681.9	603.4	623.4	603.4
Number of ordinary shares (million)	521.4	521.4	521.4	521.4	521.4
Per share	119.6p	130.8p	115.7p	119.6p	115.7p
As at 31 March 2020					
	Current measures			Previous measures	
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA NAV £m	EPRA NNAV £m
Net asset value	648.0	648.0	648.0	648.0	648.0
Mark-to-market adjustments of derivatives	0.1	0.1	-	0.1	-
Fair value of debt	-	-	(15.9)	-	(15.9)
Real estate transfer tax	-	59.8	-	-	-
At 31 March 2020	648.1	707.9	632.1	648.1	632.1
Number of ordinary shares (million)	521.4	521.4	521.4	521.4	521.4
Per share	124.3p	135.7p	121.2p	124.3p	121.2p

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