

Annual Results

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LXI REIT PLC
20 May 2019

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

LXi REIT plc

(the "Company" or the "Group")

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The Board of LXi REIT plc (ticker: LXI), the specialist inflation-protected very long income REIT, is pleased to report its annual results for the year ended 31 March 2019.

Financial highlights

	Year ended 31 March 2019	Period ended 31 March 2018 ¹	
Total NAV return ²	12.13%	11.91%	
Total shareholder return ²	30.68%	2.45%	
NAV (and EPRA NAV) per share ²	114.60 pence	107.67 pence	+6.44%
Dividend per share	5.50 pence	4.00 pence	+37.5%
Dividend target 2019/20 ³ (2018/19)	5.75 pence	5.50 pence	+4.55%
Adjusted earnings per share ²	6.11 pence	5.05 pence	+20.99%
EPRA earnings per share ²	5.55 pence	4.20 pence	+32.14%
Operating profit	£37.3 million	£22.07 million	+69.01%
Portfolio valuation ⁴	£589.5 million	£278.92 million	+111.35%
Loan to value	29%	30%	
Average fixed cost of debt	2.94%	2.90%	
EPRA cost ratio ²	16.37%	25.83%	

- Total net asset value ("NAV") return² for the period was 12.13% (31 March 2018: 11.91%), significantly ahead of our medium term annual target of at least 8%³
- Total shareholder return² for the year of 30.68%⁵ (31 March 2018: 2.45%) reflecting the strong performance of the Company's portfolio, increased targets, dividend payments and share price
- EPRA NAV² per share increased in the year by 6.93 pence (31 March 2018: 7.67 pence) to 114.60 pence at 31 March 2019 (31 March 2018: 107.67 pence)
- Dividends per share ("DPS") paid and proposed in respect of the year of 5.50 pence (31 March 2018: 4.00 pence) met the Company's full year target
- DPS were fully covered by Adjusted earnings² per share ("EPS") of 6.11 pence (31 March 2018: 5.05 pence) which includes developer licence fees and EPRA EPS² of 5.55 pence (31 March 2018: 4.20 pence) which excludes developer licence fees
- Operating profit of £37.3 million (31 March 2018: £22.07 million) comprising income from the Group's property portfolio and changes in fair value of investment property net of administrative and other expenses
- Portfolio independently valued by Knight Frank LLP at £589.5 million⁴ as at 31 March 2019 (31 March 2018: £278.92 million), representing like for like growth of 4.35% and 9.6% above acquisition price
- Loan to value ("LTV") at 31 March 2019 of 29% (31 March 2018: 30%) reflecting material headroom to both our medium term maximum of 35% and LTV covenant of 50%
- Low all-in fixed cost of debt of 2.94% (31 March 2018: 2.90%) for a long average debt maturity of 12 years (31 March 2018: 11 years)

underpinning our ability to grow investor returns through inflation-linked rent reviews

- EPRA cost ratio² reduced to 16.37% (31 March 2018: 25.83%), demonstrating the benefits of increased scale and a largely fixed cost base
- In October 2018, the Company successfully raised gross equity proceeds of £175.25 million via a significantly oversubscribed equity raise and further debt capital of £75 million secured in November 2018, which together were deployed to fund accretive acquisitions

Operating highlights

	Year ended 31 March 2019	Period ended 31 March 2018
Average acquisition NIY to date	5.80%	6.03%
Rents containing index-linked or fixed uplifts	96%	96%
WAULT to first break (years)	22	24
Portfolio let or pre-let	100%	100%
Average geared IRR p.a. on disposals to date	32%	-
Property sectors	9	9
Separate tenants	38	25
Acquisitions to date made 'off market'	83%	84%
Average debt maturity (years)	12	11

- Average acquisition net initial yield ("NIY") across the portfolio to 31 March 2019 of 5.80% (31 March 2018: 6.03%) net of acquisition costs, representing a 286 bps spread to all-in fixed cost of debt (31 March 2018: 313 bps) and demonstrating the positive impact of conservative gearing
- 96% of the Group's rental income either contains index-linked rent reviews or fixed rental uplifts (31 March 2018: 96%) underpinning the Company's ability to grow returns over the short and longer term
- A long weighted average unexpired lease term ("WAULT") to first break of over 22 years (31 March 2018: 24 years) providing security and significant visibility to the Group's income
- Portfolio 100% let or pre-let (31 March 2018: 100%) and income producing during the year to 38 separate financially strong tenants (31 March 2018: 25) across nine defensive and robust sectors (31 March 2018: nine) on full repairing and insuring leases
- The Company made four selective disposals during the year and one since the year end generating an average geared IRR on disposal of 32% p.a. to date
- 83% of properties transacted on an 'off market' basis to date (31 March 2018: 84%) avoiding competition and providing value at the point of acquisition

Post period end highlights

- Proposed final dividend in respect of the year ended 31 March 2019 of 1.375 pence per share bringing the total dividend paid and proposed in respect of the year to 5.50 pence per share
- Progressive dividend per share target increasing ahead of inflation for the year ending 31 March 2020 to 5.75 pence (31 March 2019: 5.50 pence) reflecting growth of 4.55%
- Proposed target equity raise of £100 million by way of a placing, open offer, offer for subscription and intermediaries offer, expected to close on 12 June 2019

Stephen Hubbard, Chairman of LXI REIT plc commented:

"I am delighted to report to you another year of strong performance by the Group in which we have continued to successfully implement our investment strategy to deliver on and in many cases exceed our targets. During the year, the Group delivered a total NAV return, comprising the dividends paid and NAV growth of 12.13%, which represents significant over delivery on the Group's target minimum of 8% p.a.

Over the course of the year the Company's shares have also shown resilient outperformance, demonstrating the attraction of the portfolio and the quality of the management that has delivered diversified and secure inflation-protected income and growth from high quality assets let to strong tenants in these uncertain times.

We are particularly pleased to announce today a 4.55% increase in the dividend per share target to 5.75 pence for the year to 31 March 2020. The sector continues to see index-linked rental increases materially outperforming open market rent reviews and with 96% of the Group's contracted rental income containing index-linked or fixed uplift rent reviews, when coupled with our low cost base and low all-in cost of debt fixed for a further 12 years, the Board remains confident that the Company will continue to grow dividends and provide shareholders with inflation-protected income and the potential for capital growth."

Notes

- 1 The comparative information in this report is for the period from incorporation on 21 December 2016 to 31 March 2018 with operating activity commencing at IPO on 27 February 2017
- 2 Further details on Alternative Performance Measures can be found in the Chairman's Statement and definitions given in the Key performance indicators and the EPRA performance measures sections or otherwise included in the Glossary included in the Additional Information sections of the Company's Annual Report, expected to be published on the Company's website on 20 May 2019
- 3 These are targets and not a profit forecast and there can be no assurances that they will be met
- 4 The independent valuation includes forward funded commitments outstanding and properties that had exchanged but not completed at the year end date. A reconciliation to the IFRS fair value as per the consolidated statement of financial position is included in Note 9 to the consolidated financial statements
- 5 Based on closing mid-market share price on 29 March 2019 assuming dividends reinvested

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 first break), inflation-linked leases to a wide range of strong tenant covenants across a diverse range of robust property sectors.

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

The Company is targeting an annual dividend of 5.75 pence per ordinary share, starting from the financial period commencing 1 April 2019, with the potential to grow the dividend in absolute terms through upward-only inflation-protected long-term lease agreements, and is targeting a total NAV return of a minimum of 8 per cent. per annum over the medium term.*

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

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

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

Meeting for investors and analysts and audio recording of results available

A meeting for investors and analysts will be held at 9am today at the offices of Maitland/AMO, Havas Building, 3 Pancras Square, London, N1C 4AG. The presentation will also be accessible via a live conference call and on-demand via the Company's website: <https://www.lxireit.com/results-centre>.

In addition, later in the day an audio recording of this meeting and the presentation will also be available to download from the Company's website: www.lxireit.com.

Hard copies of the Annual Report and Accounts will be sent to shareholders, along with the notice for Annual General Meeting to be held on 26 June 2019. The Annual Report and Accounts will also be made available on the Company's website at www.lxireit.com. In accordance with Listing Rule 9.6.1, copies of these documents will be submitted to the UK Listing Authority via the National Storage Mechanism and will be available for viewing shortly at www.morningstar.co.uk/uk/NSM.

CHAIRMAN'S STATEMENT

Dear shareholder

I am delighted to report to you another year of strong performance by the Group in which we have continued to successfully implement our investment strategy to deliver on and in many cases exceed our targets. Our portfolio continues to provide well diversified long term index linked income as well as capital growth. Our strategy and strict discipline in deploying new capital and our ongoing asset management initiatives have provided excellent returns throughout the year. We have defensively managed exposures to a variety of sectors during the period to provide further diversification as well as putting ourselves in a position to benefit from increased exposure to property sectors with the most favourable outlook.

The proposed final dividend in respect of the year takes our total dividend per share to 5.50 pence. This represents a 10% premium to our original 2018/19 dividend target set at IPO and delivery on our increased dividend target for the year announced in March 2018. The dividend was fully covered by the Group's Adjusted earnings¹ for the year of 6.11 pence. During the year, the Group delivered a total NAV return, comprising the dividends paid and NAV growth in the period of 12.13%, which also represents significant over delivery on the Group's target minimum of 8% p.a.

Our capital growth is achieved through a number of contributors, including:

- the capitalisation of index linked rent reviews;
- forward funding assets at a discount to built values;
- accretive recycling of capital after profitable disposals;
- capital discipline and the 'off market' sourcing of acquisitions in the year; and
- market yield compression in the long lease sector.

Our diversification strategy for providing capital growth has created resilience and we are well placed to continue to provide value to our shareholders in times of adverse market conditions.

We are delighted by the continued support of existing shareholders and I welcome a number of new shareholders as part of our successful third equity raise in October 2018. The Company raised £175.25 million of new equity via an oversubscribed fund raise which was fully deployed in accretive assets within four weeks of the equity raise, which were then geared by deploying in short order the proceeds of the new £75 million debt facility. The Group's equity and debt capital is now fully deployed, and the detail of the portfolio is given below.

The Investment Advisor also identified opportunities to recycle capital by disposing of certain assets at a significant premium to both

acquisition price and most recent valuation and reinvesting the proceeds into accretive assets to increase exposure to preferable sectors, tenants and rent review types that have a more positive economic outlook or that are expected to deliver comparative outperformance. The average geared IRR achieved on disposals in the year was 32% p.a. and the total realised gain on disposal was £6.46 million.

The Company's market capitalisation increased to over £450 million as a result of both an increased share price and the new equity raised in the year. In June 2018 the Company's shares were added to the FTSE EPRA/NAREIT Global Real Estate Index. As a result of both of these factors as well as the weight of capital seeking secure long term inflation protected income and growth in uncertain times, the Company's shares have benefited from increased liquidity and delivered a total shareholder return of 30.68% over the year.

Our portfolio

At 31 March 2019, the Company's portfolio was independently valued by Knight Frank LLP at £589.5 million⁴, representing like for like growth of 4.35% from 31 March 2018 and 9.6% above acquisition price, excluding purchase costs. The growth demonstrates the value achieved and the quality sourcing of new acquisitions in the year as well as the continued active management of the assets to continue to enhance and create value.

Our portfolio comprises 108 assets (31 March 2018: 87) demonstrating defensive diversification by sector, tenant, rent review exposure and location. All of the Group's properties are let on long term (typically 20 to 30 years) triple net leases, meaning the tenant is liable for property costs, avoiding any cost leakage. At 31 March 2019 the portfolio had a WAULT of 22 years to first break (31 March 2018: 24 years).

A multi-sector approach has allowed us to diversify our portfolio across nine defensive and robust property sectors with no over exposure, and to avoid overheated sectors where it is difficult to achieve value or that are experiencing adverse trends. Our tenant group comprises 38 separate institutional grade covenants all of which undergo our Investment Advisor's thorough due diligence process prior to acquisition.

To provide inflation protection to both the income returns and capital invested, we focus on acquiring assets where the rent reviews are linked to inflation or include provisions for fixed uplifts which are expected to mirror inflation over the medium term. 96% of our assets by rental income include index-linked or fixed uplift rent review provisions.

The Investment Advisor operates strict capital discipline on acquisitions and leverages a large network of vendor contacts and types, including tenants, agents, funds and developers to achieve the best possible pricing for the highest quality assets. The Group's blended net initial yield across purchases to 31 March 2019 was 5.80% (31 March 2018: 6.03%), compared with an average valuation NIY of the portfolio of 5.13% (31 March 2018: 5.37%).

This capital discipline helps us to achieve value for our shareholders at the point of purchase by largely 'off market' sourcing of assets, selective acquisitions across a large universe of assets through our multi-sector approach and forward funding a large proportion of our acquisitions at a significant discount to built values. We continue to deliver value throughout the period of ownership via our asset management initiatives which serve to increase the strategic importance of the asset to the tenant and to use this to increase the quality of the income and thereby the value.

We also focus on properties with low rents, and therefore lower capital value per sq.ft., strong underlying trading performance and high rent cover, and thereby strong alternative user demand in the asset, and properties with a large number of potential alternative uses. This approach conserves residual capital values.

The Board approved four disposals during and one since the year ended 31 March 2019 which comprised a total of 22 separate assets. These disposals followed unsolicited approaches to the Investment Advisor and demonstrate the attraction to the Group's high quality portfolio. The disposals raised gross proceeds of £68.72 million and a blended geared IRR across all the disposals of 32% p.a. The disposals in the year produced a realised gain of £6.46 million. All disposals represented a material uplift to acquisition price and latest book value.

The proceeds of the disposals were strategically aligned with our pipeline of accretive assets to ensure immediate reinvestment of the capital. We fully invested the net funds raised through the recent equity raise and the new debt facility (described below) as well as recycling the capital generated on disposals into acquisitions of accretive assets. The assets were carefully selected to manage exposure to sectors, tenants, locations and rent reviews.

The 22 acquisitions since 31 March 2018 have increased exposure to Retail Prices Index ("RPI") rent reviews, which is expected to outperform the Consumer Price Index ("CPI") and significantly outperform open market rent reviews. We have concentrated on sectors with a favourable market outlook, such as logistics and discount foodstores and budget hotels as well as the further diversification and strengthening of our strong tenant and guarantor group. The acquisitions were a good mix of built and forward funding structures and many of the assets benefit from fully unexpired lease terms allowing us to maintain a long WAULT of 22 years to first break.

Every disposal and acquisition was subject to Board approval.

Financial results

The Group's financial performance has continued to be strong and also to demonstrate positive like for like growth. The portfolio generated total rental income for the year of £21.57 million (31 March 2018: £9.34 million) representing year on year growth of 131%.

The growth reflects a full year of income generated from the portfolio built in the Group's first year of operation and the careful and rapid deployment and recycling of capital into high quality accretive assets as well as the effect of conservative borrowing levels with a significant spread between the cost of debt and the average acquisition NIY.

As a result of increased market capitalisation due to and since the 2018 equity raise and growth in the average share price year on year, management fees increased to £2.34 million (31 March 2018: £1.39 million). The Group's other costs remained largely consistent with the prior year in spite of this growth at £1.19 million, excluding management fees (31 March 2018: £1.03 million).

Operating profit increased by 69% to £37.3 million (31 March 2018: £22.07 million), reflecting the increased rental income over a low and largely fixed cost base and capital growth during the year.

Finance costs increased to £3.31 million (31 March 2018: £1.15 million) as a result of full year exposure to the first two debt facilities and the drawdown of the new debt facility during the year, described below.

This resulted in a profit before tax of £34.12 million (31 March 2018: £20.97 million) and earnings per share ("EPS") of 12.75 pence (31 March 2018: 15.12 pence).

EPRA EPS, which removes the gains on disposals of investment properties and changes in fair value movement were 5.55 pence for the year (31 March 2018: 4.20 pence) and Adjusted EPS, which adjusts EPRA earnings to include licence fees from developers on forward funding projects were 6.11 pence for the year (31 March 2018: 5.05 pence).

Adjusted earnings is the performance measure that the Board uses to assess the Company's dividend payments. The Company paid and proposed total dividends per share in respect of the year of 5.50 pence (31 March 2018: 4.00 pence), which represents a 10% over delivery

on the original target set at IPO, and meets the Company's revised dividend target announced in March 2018. The Company's dividends for the period were fully covered by the Group's Adjusted EPS.

The portfolio value increase and profitable disposals drove further NAV and EPRA NAV growth in the year of 6.44% taking NAV and EPRA NAV per share at 31 March 2019 to 114.60 pence (31 March 2018: 107.67 pence). This growth reflects, inter alia:

- the discount achieved on forward funding pre-let developments in smaller lot sizes which have provided an average uplift of 12% above acquisition price;
- the profitable recycling of capital following disposals at a significant premium to acquisition cost and book value;
- the capitalisation of inflation-linked rental growth; and
- yield compression in the long-lease sector.

The Group's new debt facility resulted in the Group's total borrowings increasing to £167.31 million, net of unamortised arrangement fees (31 March 2018: £93.52 million) and a leverage of 29% (31 March 2018: 30%), well below the Company's maximum LTV target of 35%. The low cost of debt, fixed at 2.94% for an average maturity of 12 years provides investors with the positive effect of gearing and the 286 bps spread to the average net initial yield on acquisitions.

Dividends

The Company paid and proposed dividends in respect of the year ended 31 March 2019 totalling 5.50 pence per share. The dividends paid and proposed in respect of the period represent delivery on the revised dividend target for the year, which was increased from the original IPO target of 5.00 pence per share for 2019 by 10%.

Having considered the level of passing rents and the yield achieved on property acquisitions as well as subsequent growth, along with the positive effects of conservative gearing, the Company has increased the dividend per share target for the year ended 31 March 2020 to 5.75 pence.

The dividend target increase represents like for like growth of 4.55% above the revised 2018/19 dividend target, ahead of RPI and CPI.

Raising capital

Share issuance

On 12 October 2018 the Company closed a significantly over subscribed equity raise, with the level of demand allowing the Board to exercise its option, approved by existing shareholders, to increase the issue beyond the target £100 million in order to raise a total of £175.25 million which allowed the Investment Advisor to execute on an attractive pipeline of accretive assets identified in the build up to the raise. The level of demand reflects the increased attraction of investors to inflation-protected long income secured against a high quality and diversified portfolio let to a wide range of strong tenant covenants across diverse and robust property sectors.

Debt financing

On 6 December 2018, the Group agreed a new 15 year £75 million loan facility at a low all in fixed rate of 2.99% with Scottish Widows to gear investor returns and extend the average debt maturity profile of the Group to 12 years from 31 March 2019.

Fixing our cost of debt capitalises on the current low interest rate environment and underpins our ability to grow investor returns in real terms in the medium term.

Share performance

Over the course of the year, the Company's shares have shown resilient outperformance and consistently traded at a premium to published NAV levels. This premium demonstrates the attraction of the portfolio and the quality of the management that has delivered diversified and secure inflation protected income from high quality assets let to strong tenants in these uncertain times.

Our rising market capitalisation, which stands at over £450 million, has helped to increase the liquidity of our shares which now averages at volumes in excess of 737,000 shares per day. The performance and liquidity of the shares was also buoyed by the Company having been added to the FTSE EPRA/NAREIT Global Real Estate Index Series in June 2018, after successfully satisfying the required eligibility criteria during the index's quarterly review.

In January 2019 according to QuotedData the Company was among the best performing London-listed investment companies in 2018 having demonstrated a 21.4% increase in share price over the year. Changes in share price combined with dividends paid have driven a total shareholder return for the period of 30.68%, compared with FTSE EPRA/NAREIT Global Real Estate Index Series average of 9.43% and FTSE all share average of 12.27%.

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 26 and 27 to the consolidated financial statements and the Notes to the EPRA Performance Measures included in the Additional Information of the Company's Annual Report, expected to be published on the Company's website on 20 May 2019.

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 of the Company's Annual Report, expected to be published on the Company's website on 20 May 2019.

Post balance sheet events

On 17 May 2019, the Board proposed a target equity raise of £100 million to acquire a pipeline of accretive assets to deliver further value to shareholders. A prospectus is expected to be published in connection with the raise on 20 May 2019. The raise will be implemented by way of a placing, open offer, offer for subscription and intermediaries offer, which is expected to close on 12 June 2019 and is subject to shareholder approval at a general meeting that has been convened for 9.15 a.m. on 12 June 2019.

Outlook

The Board believes that in a continuing environment of Brexit, and economic and geopolitical uncertainty, the Group's portfolio is resilient and an increasingly attractive investment proposal. The Company provides a secure, diversified and growing index-linked income stream as well as

the potential for attractive capital appreciation from our long-let, high quality and robust portfolio across defensive sectors with strong tenant covenants.

We continue to receive unsolicited interest in relation to the assets within the Company's portfolio and consider these opportunities to recycle capital by selectively disposing of assets to generate attractive returns for the Company and reinvesting the proceeds into accretive assets to increase exposure to sectors, tenants and rent review types that have a more positive economic outlook or that are expected to deliver comparative outperformance.

In the current interest rate environment, we expect there will continue to be a significant positive spread between the Company's growing index-linked portfolio yield and bond rates.

We remain confident of delivering further value to our shareholders through the Investment Advisor's strategies of acquiring selectively across a wide range of robust sectors on an 'off market' basis and forward funding pre-let developments in smaller lot sizes and, in particular, of continuing to grow the returns to investors.

We are particularly pleased to increase in the dividend per share target by 4.55% to 5.75 pence for the year to 31 March 2020. The sector continues to see index linked rental increases materially outperforming open market rent reviews and with 96% of the Group's contracted rental income containing index-linked or fixed uplift rent reviews, when coupled with our low cost base and low all-in cost of debt fixed for a further 12 years, the Board has confidence that the Company will continue to grow dividends and provide inflation-protected income.

Stephen Hubbard

Chairman of the Board of Directors

17 May 2019

INVESTMENT ADVISOR'S REPORT

Portfolio overview

Since the Company's IPO in February 2017, we have invested new capital and recycled capital after profitable disposals to build a portfolio of 108 separate assets at an average net initial yield on acquisition of 5.80%. The portfolio was independently valued at £589.5 million⁴ as at 31 March 2019, which represents an average increase of 9.6% above acquisition price (excluding purchase costs) and yield compression across the portfolio of 67 bps to an average valuation NIY of 5.13%. The assets are valued individually, and no portfolio premium has been added.

Our portfolio is diversified across nine robust and defensive sectors and strategically weighted towards those sectors that demonstrate a positive economic outlook or comparative outperformance in times of economic downturn and uncertainty. The long weighted average unexpired lease term to first break of the portfolio at 31 March 2019 was 22 years, one of the longest in the sector. The rental income is underpinned by 38 separate financially strong institutional grade tenants.

Rent reviews across the portfolio are 96% index linked or contain fixed uplifts, to provide inflation protection and growth. Those rent reviews are well staggered, with 29% of rents annually reviewed and 71% reviewed on a five yearly cycle, which provides for a smooth growth to income and supports our objective to broadly grow the Company's returns in line with inflation over the medium term.

We have carefully built a defensive portfolio with a robust rent review linkage spread across the assets, with 62% linked to RPI, 25% linked to CPI and 9% containing fixed uplifts. The remaining 4% are subject to upward only open market rent reviews.

35% of the portfolio's annual passing rent of £31.4 million is subject to review in the year to 31 March 2020, comprising 58 separate rental uplifts. Of the Group's annual passing rent, 54% of reviews are subject to a cap, which averages at 4% p.a. and 51% are subject to a collar, with averages at 2% p.a.

Disposals

Our strategy is to diversify our sources of achieving capital growth, as described below, to avoid exposure to any single source. We have strategically capitalised on the level of unsolicited interest in our high quality and secure portfolio through five separate disposals during and since the year ended 31 March 2019.

The disposals demonstrate the value achieved both at the point of acquisition through capital discipline, sourcing assets 'off market' and taking advantage of our ability to acquire assets across all sectors where we see value, and subsequently our asset management initiatives that continue to generate value through the course of our ownership as well as wider market movements.

Asset disposals allow us to generate growth, by selling at a significant premium to purchase price and book value, as demonstrated by the realised gain on disposal of £6.46 million for the year. Further to this, disposals allow us to actively maintain the portfolio's long WAULT across the portfolio and to defensively manage our portfolio's exposures including rent review types, tenant group and sector.

The following disposals were made during and since the year ended 31 March 2019:

- Two care home assets let to Prime Life generating a geared IRR of 56% p.a. and a realised gain on disposal of £2.5 million;
- An industrial asset let to SIG generating a geared IRR of 39% p.a. and a realised gain on disposal of £2 million;
- Two hotel assets let to Travelodge generating a geared IRR of 23% p.a. and a realised gain on disposal of £1.2 million;
- A portfolio of 11 supported living healthcare assets generating a geared IRR of 18% p.a. and a realised gain on disposal of £0.9 million; and
- After the year end a portfolio of six supported living healthcare assets generating a geared IRR of 19% and a realised gain on disposal of £1.2 million.

Acquisitions

We source capital to provide our shareholders with further diversification and acquire accretive assets through disposals, capital raises and by leveraging our assets through debt. As at 1 April 2019 we had fully invested the capital raised to date. During and since the year ended 31 March 2019, the following capital was raised:

- £175.25 million of gross equity proceeds through the Company's oversubscribed equity raise in October 2018;
- £75 million of debt capital through leveraging the assets acquired with the new equity; and
- A total of £54.67 million of gross proceeds generated through the profitable disposals during the year described above and a further £14.05 million since 31 March 2019.

This capital was reinvested into accretive assets that diversified the portfolio and enhanced exposure to strong tenants, sectors for which we see a positive economic outlook and value as well as to rent review types that we expect to provide a higher rate of growth.

In particular, we have increased our exposures through acquisitions as follows:

- Increased industrial assets to 25% (31 March 2018: 8%), with forecasts for 2019 and 2020 showing industrial sectors continuing to deliver superior returns to the wider property market;
- Increased discount foodstores to 11% (31 March 2018: 4%) and budget hotels to 28% (31 March 2018: 17%) both of which tend to outperform in times of economic uncertainty; and
- Increased exposure to rent reviews linked to RPI to 62% (31 March 2018: 40%), with RPI expected to materially outperform CPI and open market rent reviews, as shown below.

The following acquisitions were made during the year ended 31 March 2019:

- £6.2 million hotel built for Premier Inn/Whitbread Group in Middlesbrough on 25 year lease with CPI linked uplifts, reflecting NIY of 5.1%;
- £25.5 million industrial and head office facility acquired from and leased back to Stobart Group on 22.5 year lease with RPI linked uplifts, reflecting NIY of 5.5%;
- £4.95 million industrial and head office facility let to Brenntag on 25 year lease with RPI linked uplifts, reflecting NIY of 5.4%;
- £6.56m industrial facility let to Johnson Matthey on 22 year lease with fixed 2.5% uplifts, reflecting NIY of 6.2%;
- £6.54 million care home built for the Priory Group in Co. Armagh, Northern Ireland on 30 year lease with fixed 2.5% uplifts, reflecting NIY of 6.5%;
- £6.6 million forward funded hotel built for Travelodge in Edinburgh on 25 year lease with CPI linked uplifts, reflecting NIY of 5.4%;
- £8.5 million forward funded discount food store built for Lidl and B&M in Cowdenbeath on 25 year lease with CPI linked uplifts, reflecting NIY of 6.0%;
- £30.7 million hotel let to Jurys Inn in Plymouth with 24 year unexpired lease term with RPI uplifts, reflecting NIY of 5.7%;
- £60 million, 121 acre car storage facility let to BCA in Corby with 18 year unexpired lease term with RPI linked uplifts, reflecting NIY of 5.25%;
- £45.2 million portfolio of five geographically diversified hotels let to Travelodge with weighted average unexpired lease term of 24 years and RPI linked uplifts, reflecting NIY of 5.8%;
- £17.1 million industrial facility let to Snell Advanced Media and guaranteed by Belden Inc. in Newbury with 17 year unexpired lease term with RPI uplifts, reflecting NIY of 5.5%;
- £11.7 million industrial facility let to West Midlands Travel and guaranteed by National Express Group in Birmingham and West Bromwich on 25 year leases with RPI linked uplifts, reflecting NIY of 5.7%;
- £12.2 million forward funded discount food store and retail scheme built for Aldi, Home Bargains and TK Maxx in Evesham with 15 year unbroken lease to Aldi with RPI, reflecting NIY of 5.4%;
- £8.3 million forward commitment discount foodstore scheme built for Lidl with ancillary units let to Greggs, Starbucks and Subway in Andover with 15 year lease with fixed rental uplifts, reflecting NIY of 5.5% (exchanged not completed);
- £4.3 million discount store let to The Range in Carlisle with 20 year unexpired lease term with fixed 2% uplifts, reflecting NIY of 6%;
- £6.6 million forward funded hotel built for Travelodge in Gosport on a 25 year lease with CPI uplifts, reflecting NIY of 5.7%;
- £6.78 million local council office building let to South Lanarkshire Council on 20 year lease with 2.5% fixed rental uplifts, reflecting NIY of 5%;
- £2.4 million discount gym let to Pure Gym in Norwich with 15 year unexpired lease term with fixed 2% rental uplifts, reflecting NIY of 6%;
- £13.8 million care home let to BUPA with a 23.5 year unexpired lease term with RPI linked rental uplifts, reflecting NIY of 6.4%;
- £2.6 million discount gym let to Pure Gym in Andover with 15 year unexpired lease term with fixed 2% rental uplifts, reflecting NIY of 6% (exchanged not completed);
- £23.6 million forward funding project of 13 geographically diversified Starbucks drive-thru coffee shops with 15 year lease terms and RPI linked uplifts, reflecting NIY of 5.7% (exchanged not completed); and
- £14.5 million acquisition of a Dobbies garden centre in Morpeth with a 30 year unbroken lease term and RPI linked uplifts, reflecting NIY of 5.5% (exchanged in the year but completed in April 2019).

Our business model

Our business model is designed to deliver secure and growing inflation protected income and capital growth over the medium term. Our strategies and implementation are described in detail in this report and in the Investment Objective and Policy.

Delivering secure income

We are delivering against the Company's investment objective by selectively acquiring properties let to a broad range of tenants with strong financials and a proven operating track record, diversifying our income stream by tenant, geography and sector. We also focus on assets that are of strategic importance to the tenant to enhance the quality and security of our income.

The portfolio WAULT to first break of 22 years is one of the longest in the industry, and the income is secured against 38 separate institutional-grade tenants. Our blended acquisition yield of 5.80% is 286 bps above our all-in cost of debt of 2.94% p.a. which is fixed for a weighted maturity of 12 years.

Key to our objective is the inflation protection offered by our portfolio. The Group aims to grow the dividend in real terms in line with inflation. To achieve this protection, we have linked 96% of the Group's rent reviews, by rental income, to inflation indexes or regular fixed uplifts that mirror expected levels of inflation. In the medium term, inflation is expected to outperform open market rent reviews which is discussed in further detail below.

The embedded income growth in our portfolio and the fixed rate of debt and a largely fixed cost base, allows for fuller visibility of income growth to investors.

Active management of the portfolio, including the recycling of capital and other asset management initiatives, allow us to maintain a long weighted average unexpired lease term which preserves the security and predictability of the Group's income and underpins the dividends paid

to our shareholders.

The Group's rental income is further protected by the strong residual land characteristics demonstrated by assets that are of strategic importance to their tenant. This has been achieved by investing in, *inter alia*, brand new forward funded assets designed to the tenant's specification, sectors where tenants have historically held their property freehold and property with a low (or indeed reverse) spread between investment value and vacant possession value due to strong underlying trading performance of the asset.

Delivering attractive growth

The portfolio was valued at 31 March 2019 at £589.5 million⁴, representing a like for like uplift of 9.6% from acquisition price, excluding acquisition costs. The Company has provided a total NAV return of 12.13%, comprising dividends of 6.125 pence and capital growth of 6.93 pence, over opening NAV.

We employ a number of techniques to secure assets at an attractive initial yield, without compromising on the asset quality, security or lease length. These techniques ensure that value growth is provided to shareholders at the point of acquisition. Our asset management initiatives provide, where opportunities exist, further value growth throughout the period of ownership of the asset.

Forward funded structures benefit from materially lower purchase costs (usually less than 3% versus 6.8% standard purchaser's costs), significant discount to built values for smaller sized assets (average valuation increase of 12%) along with a range of other benefits. We have described these benefits and the implementation of our forward funding strategy in detail below.

Our multi-sector strategy allows for a selective and opportunistic approach to acquisitions and disposals across a large universe of assets to find value and avoid overheated sectors as well as utilising early mover advantage in under-exploited asset classes.

Disposals at a premium have provided a gain above carrying value of £3.32 million in the year and a realised gain of £6.46 million, crystallising both the change in fair value previously recognised and the premium to book value as returns for investors.

We also target transactions in smaller lot sizes (especially forward fundings) generally to avoid the radar of most institutional investors and more comprehensively marketed properties to avoid competition on acquisitions which hardens net initial yields.

Our range of longstanding contacts, including developers, tenants, agents and vendors, has allowed us to acquire 83% of our total acquisitions, and 80% of the acquisitions during the year, through 'off market' purchases identified via our extensive relationships, maintained by our reputation for speed and certainty of transacting.

Forward funding pre-let developments

Forward funding strategy

The Group's portfolio consists of a mix of built, forward funded and forward commitment assets. Forward funded structures benefit from materially lower purchase costs as well as significant discounts to built values for smaller lot sizes which delivers growth at and from the point of purchase.

This approach to forward funding pre-let developments, especially in the smaller lot sizes, has allowed us to source high quality, lower-priced assets (compared to built values) with reduced competition and transaction costs. The approach also ensures the asset acquired is brand new with a full unexpired lease term and built to tenant specification to increase strategic importance, which are also key benefits of forward commitment structures.

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

- a fixed-price is agreed for the forward funded purchase, covering land, construction cost and developer's profit - all cost overruns are the risk of the developer/contractor;
- full planning consent is in place;
- a suitable tenant pre-let is in place;
- the developer receives their profit only when the asset achieves practical completion;
- any delay to practical completion of the works is the risk of the developer, as they pay the Group a licence fee, which is brought into the Group's Adjusted earnings, to the date that the lease completes;
- the main contractor is always a reputable entity with a proven track record and provides a parent company guarantee or performance bond;
- a full suite of warranties is provided by the main contractor and professional team; and
- all construction cost drawdowns are paid to the developer monthly in arrears.

Forward funding/commitment implementation

To date, the Group has achieved practical completion on nine forward funding/commitment projects, six of which took place during and since the year ended 31 March 2019. The average valuation gain achieved over acquisition price (excluding acquisition costs) across the forward funding assets is 12%.

During and since the year ended 31 March 2019, the Group has achieved practical completion on the following forward funding/forward commitment development projects:

- Industrial and head office facility built for the GE Oil & Gas group in Cramlington near Newcastle, reached practical completion on 1 May 2018 on schedule and on budget and the new 20 year lease with RPI linked uplifts completed;
- Care home facility built for the Priory Group in Northern Ireland, Co. Armagh, reached practical completion on 24 May 2018 on schedule and on budget and the new 30 year lease with RPI linked uplifts completed;
- Discount retail park built for Aldi, Home Bargains, Heron Foods, Starbucks and Greggs in Bradford reached practical completion on 15 October 2018 on schedule and on budget and the new 20 year lease with RPI linked uplifts completed;
- Budget hotel and leisure scheme built for and let to Travelodge, Costa Coffee and KFC in Camborne, reached practical completion on 1 November 2018 and the new 25 year lease to Travelodge with CPI linked uplifts completed;
- Budget hotel built for and let to Premier Inn in Chesterfield, reached practical completion on 19 March 2019 and the new 25 year lease to Premier Inn with CPI linked uplifts completed; and
- Budget hotel and leisure scheme built for and let to Travelodge, Starbucks and Subway, in Swindon, reached practical completion on 15 April 2019 and the new 25 year lease to Travelodge with CPI linked uplifts completed.

All other projects are running on time and on budget.

Market opportunity - rental growth

Inflation has continued to outpace open market rent reviews and the spread has widened since the EU referendum result in June 2016, which triggered a decline in the value of Sterling and pushed up the cost of imported goods. As set out below, the anticipated continuing outperformance of inflation over open market rental growth forecasts is expected to prove advantageous to the Group's rental growth.

The HM Treasury Forecasts for the Economy (Medium term forecasts, February 2019) shows an average RPI growth forecast of 3.12% p.a. from 2019 to 2023. (see below). The Investment Property Forum UK Consensus Forecasts Report (Winter 2018-19) shows a materially lower average open market rental growth forecast of 0.8% p.a. for the same period.

RPI forecast

Year	RPI p.a.
2019	2.8%
2020	3.2%
2021	3.2%
2022	3.2%
2023	3.2%
Average	3.12%

Source: HM Treasury Forecasts for the Economy (February 2019)

Open market rental growth forecast

Year	Market rental growth p.a.
2019	0.0%
2020	0.2%
2021	0.9%
2022	1.3%
2023	1.4%
Average	0.8%

Source: Investment Property Forum UK Consensus Forecasts (Winter 2018-2019)

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

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

- higher income growth for the Group via rental increases in line with inflation;
- enhanced dividend yield due to substantial free cash flows generated via the 286 bps spread between triple net rental income (5.8% average NIY) and low all-in fixed cost of debt (2.94% p.a.) with a 12 year average maturity - rising to 486 bps by expiry of the loan facility, assuming conservative rental growth of 2.5% p.a.; and
- capital growth through the capitalisation of rental increases following rent reviews.

Asset management

Our collaborative asset management is designed and implemented to ensure that our property meets our tenants' requirements, thereby strengthening our relationships with them and improving the quality of the income, to enhance the underlying capital value.

Initiatives can include agreeing new lettings, extending lease lengths on existing assets, facilitating tenants' capital and fit out expenditure and successfully negotiating rent reviews.

During the year, 67 index-linked and fixed rental uplifts were agreed with tenants. The capitalisation of this rental growth has contributed to the Group's NAV growth.

As part of the acquisition and lease back to Stobart in Widnes, the Group facilitated the build of 20 acres of concrete hard standing for storage and a new 23,000 sq ft head office facility, which completed in October 2018. Rent was received under the new leases from the date of legal completion, meaning that a return was received on the Group's investment from the date of acquisition.

The head office underlines the tenant's commitment to the property and the whole project demonstrates our collaborative approach to asset management in order to enhance security of income and underlying capital values.

Six forward funding/commitment assets built to tenant specification and on new fully unexpired long term leases reached practical completion during and since the year ended 31 March 2019 and are described in detail in forward funding implementation above.

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

Outlook

The Company is well placed to continue to deliver strong income and capital growth performance to our shareholders. The portfolio is resilient, highly diversified and fully let or pre-let to 38 institutional grade tenants on very long-term, index-linked leases. It is focused on sectors which are performing well and is underpinned by robust residual values.

With 96% of the rental income linked to inflation, and predominantly RPI inflation, we expect our rental growth to continue to outperform market levels and to provide an increasing spread to our very low cost of debt and running costs.

Our strategy continues to provide growth, both at the point of and from acquisition, through carefully investing, largely 'off market', in smaller lot sizes and also moving early into growth sectors across the long-let property space in the UK whilst maximising efficiency in transaction costs, as well as on an ongoing basis through active management of the portfolio, the implementation of our forward funding strategy and regular index-linked rent reviews.

The weight of capital seeking secure, long-let and index-linked assets is increasing due to the level of political and economic uncertainty. We constantly monitor this interest as part of our management of the portfolio and over time expect to continue to carefully recycle capital as a measure to deliver further value to shareholders, lengthen income streams and maintain conservative weightings to our sectors.

We have also built a substantial pipeline of new, accretive assets, which should provide further value to shareholders and enhanced diversification to our portfolio.

LXi REIT Advisors Limited

Investment Advisor

17 May 2019

PROPERTY PORTFOLIO

As at 31 March 2019

Tenant/ Guarantor	Sector	Location	Unexpired lease term to first break (years)	Rent Review	NIY	Purchase Price	Structure
Completed acquisitions as at 31 March 2019							
GE UK Group	Industrial	Cramlington, Northumberland	19	RPI	5.75%	£11.09m	Forward funding
SIG (Trading) Limited	Industrial	Carlisle			7%	<i>Disposal at 31% uplift on purchase price generating 39% p.a. geared IRR</i>	
Q-Park N.V.	Car park	Sheffield	26	RPI	5.2%	£19.1m	Built
Travelodge, Starbucks & Greggs	Hotel	Melksham, near Bath	24	CPI, RPI & OMV	5.91%	£6.21m	Forward funding
Travelodge	Hotel	Haverhill, Essex			5.92%	<i>Disposal at 20% uplift on purchase price generating 23% p.a. geared IRR</i>	
Premier Inn	Hotel	Whitley Bay, North Tyneside	18	CPI	5%	£6.26m	Forward commitment
QHotels Holdings Limited	Hotel	Cambridge	20	CPI	6.1%	£18.53m	Built
Aldi, Home Bargains, Heron Foods, Starbucks & Greggs	Discount foodstore	Bradford	20	RPI & OMV	6.15%	£11.09m	Forward funding
Travelodge, Starbucks & Subway	Hotel	Swindon	25	CPI, RPI & OMV	5.8%	£8.28m	Forward funding
Priory Group	Care home	Leeds	21	RPI	6.3%	£8.43m	Built
Travelodge	Hotel	Ipswich			6.12%	<i>Disposal at 20% uplift on purchase price generating 23% p.a. geared IRR</i>	
Travelodge, Costa Coffee & KFC	Hotel	Camborne, Cornwall	25	CPI & OMV	6.15%	£6.2m	Forward funding
Priory Group	Healthcare	Northern Ireland	24	Fixed 2.5%	6.5%	£3.23m	Built

Priory Group	Healthcare	Northern Ireland	28	Fixed 2.5% pa	6.5%	£5.99m	Built
Motorpoint Limited	Automotive	Burnley	18	RPI	6.5%	£5.7m	Built
Housing Associations	Healthcare	Across England	27	CPI	6.5%	£55.16m	Built
						<i>Part disposal at 10% uplift on purchase price generating 18% p.a. geared IRR</i>	
						<i>Post year end part disposal at 10% uplift on purchase price generating 19% p.a. geared IRR</i>	
Prime Life	Healthcare	Leicestershire and Lincolnshire	30	RPI	6.5%	£12.35m	Built
						<i>Part disposal at 21% uplift on purchase price generating 56% p.a. geared IRR</i>	
Premier Inn/Whitbread Group plc	Hotel	Chesterfield	25	CPI	5.2%	£6.79m	Forward funding
Mears Group plc	Student	Dundee	20	CPI	6.3%	£20.25m	Built
Stobart Group	Industrial	Rotherham	19	RPI	6.2%	£3.4m	Built
Premier Inn/Whitbread Group plc	Hotel	Middlesbrough	19	CPI	5.1%	£6.17m	Forward commitment
Lidl	Discount foodstore	Chard	15	RPI	5.75%	£5.45m	Forward funding
Priory Group	Care home	Northern Ireland	29	Fixed 2.5%	6.5%	£6.54m	Forward commitment
Stobart Group	Industrial	Widnes	22	RPI	5.5%	£25.52m	Built
Johnson Matthey	Industrial	Teesside	21	Fixed 2.5%	6.2%	£6.56m	Built
Brenntag	Industrial	Sunderland	24	RPI	5.4%	£4.95m	Built
Travelodge	Hotel	Edinburgh	25	CPI	5.4%	£6.56m	Forward funding
Lidl, B&M	Discount foodstore	Cowdenbeath	15	CPI	6%	£8.5m	Forward funding
Jurys Inn	Hotel	Plymouth	23	RPI	5.7%	£30.7m	Built
BCA	Industrial	Corby	17	RPI	5.25%	£60m	Built
The Range	Discount	Carlisle	19	Fixed 2%	6%	£4.25m	Built
Travelodge	Hotel	Portfolio of five assets across the UK	24	RPI	5.8%	£45.18m	Built
Snell Advanced Media (Belden Inc. Guarantor)	Industrial	Newbury	17	RPI	5.5%	£17.1m	Built
National Express Group	Industrial	Birmingham and West Bromwich	25	RPI	5.7%	£11.66m	Built
Aldi, Home Bargains, TK Maxx	Discount foodstore	Evesham	15	RPI & OMV	5.4%	£12.15m	Forward funding

Travelodge	Hotel	Gosport	25	CPI	5.65%	£6.6m	Forward funding
South Lanarkshire local authority	Office	South Lanarkshire	20	Fixed 2.5%	5%	£6.78m	Built
Pure Gym	Leisure	Norwich	15	Fixed 2%	6%	£2.4m	Built
BUPA	Healthcare	Bristol	23	RPI	6.4%	£13.78m	Built
Completed portfolio			22 year WAULT		5.81%	£488.91m	
Completed portfolio valuation					5.13%	£537.2m	
Assets exchanged but not completed at 31 March 2019							
Lidl, Greggs, Starbucks, Subway	Discount foodstore	Andover	15	Fixed 2%	5.5%	£8.3m	Forward commitment
Pure Gym	Leisure	Andover	15	Fixed 2%	6%	£2.59m	Forward commitment
Starbucks & Costa Coffee portfolio	Leisure	Across the UK	15	RPI	5.7%	£23.58m	Forward funding
Dobbies	Leisure	Morpeth	30	RPI	5.5%	£14.5m	Built
Total portfolio			21 year WAULT		5.64%	£537.88m	
Total portfolio valuation⁴					5.13%	£589.5m	

Portfolio summary

At 31 March 2019, the Group's property portfolio comprised 108 separate assets yielding secure long term inflation-linked income, underpinned by 38 institutional-grade tenants across nine robust property sectors and with strong residual land values.

These factors give our investors a long term growing income stream with the security of strong assets and tenant covenants, as well as capital growth.

Portfolio statistics

£589.5 million ⁴ <i>portfolio value</i>	22 year <i>WAULT to first break</i>	5.81% <i>average acquisition NIY</i>
£31.4 million <i>contracted annual rent</i>	83% <i>acquired 'off market'</i>	100% <i>let or pre-let to strong tenants</i>

Forward funding

Our portfolio is a mix of built and forward funded acquisitions. Forward funding contributes to the Group's growth, averaging at 12% over acquisition price, excluding costs, compared with average portfolio growth of 10%.

The Investment Advisor's relationships with developers enables the Group to source and invest in forward funded developments through which we acquire brand new assets and long term leases, whilst avoiding exposure to development risk at a significant discount to built values.

Full detail of our forward funding strategy and implementation are given in the Investment Advisor's report.

Forward funding statistics

12% <i>average valuation gain</i>	75 bps <i>average yield compression since acquisition</i>
3% <i>average acquisition costs</i>	100% <i>pre-let to strong tenants</i>

THE INVESTMENT ADVISOR

The Board has delegated the day-to-day running of the Company to LXi REIT Advisors Limited pursuant to the terms of the Investment Advisory Agreement. The Investment Advisory Agreement is reviewed and amended when necessary to ensure it reflects the relationship between the Board and the Investment Advisor.

The Investment Advisor comprises property, legal and finance professionals with significant experience in long-let real estate, as described below. The team has capitalised and transacted over £1 billion of commercial property assets with a particular focus on accessing secure,

long-let and index-linked UK commercial real estate through forward funding and built asset structures.

The core management team (whose details are set out below) is supported by a team of other finance, legal, property and compliance professionals and administrative support staff. The key individuals responsible for executing the Company's investment strategy are:

John White (Joint Fund Manager)

John entered the commercial real estate market in 1987 and after qualifying as a chartered surveyor at Allsops moved to the investment team at Cushman & Wakefield. There he became a partner and spent the next 18 years advising a range of institutional investor clients on their UK acquisitions and disposals across the full range of real estate sub-sectors including retail (in and out of town), offices (London, Thames Valley and regional cities), logistics, and alternatives.

John moved into private equity real estate in 2007 and co-founded Osprey Equity Partners in 2011 and LXi REIT Advisors Limited in 2016.

Simon Lee (Joint Fund Manager)

Simon trained and practised as a solicitor at City law firm, Slaughter and May, from 1999 to 2006, following which he spent the next 10 years in private equity real estate, co-founding Osprey Equity Partners in 2011 and LXi REIT Advisors Limited in 2016.

Simon's role covers a wide range of areas, including formulating investment strategies and products, raising equity and debt finance, asset selection, and negotiating and implementing transactions with vendors, purchasers, developers, investors, lenders and joint venture partners.

Jamie Beale (Director)

Jamie has significant transaction management experience in the long income and forward funding real estate space.

Prior to joining the Investment Advisor, Jamie spent five years in the city as a real estate lawyer where he acted for leading developers and property funds on a variety of deals, ranging from large scale residential developments to substantial commercial property transactions.

Freddie Brooks (Head of Finance)

Freddie trained and qualified as a chartered accountant in BDO's Real Estate and Construction team, gaining significant experience in the sector, working with similar listed vehicles, private property funds, developers and a number of the UK's top contractors. Freddie joined the LXi REIT Advisors management team in early 2018.

Freddie's role covers all historical and strategic financial matters including annual and interim reporting, budgeting and forecasting, treasury management and the monitoring of internal controls.

Sophie Rowney (General Counsel)

Sophie is a Partner and General Counsel of the Investment Advisor's group, overseeing the group's legal activities across all service lines. Sophie trained and practised as a solicitor within the finance team at Slaughter and May, advising clients on a range of corporate and financing transactions. Sophie studied law at BPP Law School in London and holds a degree in English Literature from the University of Bristol.

Nick Barker (Compliance Officer)

Nick is Chief Compliance Officer for the Investment Advisor's group. He has 30 years' experience of financial regulation and compliance, having previously worked at HM Treasury; the US National Association of Securities Dealers (NASD); the Investment Management Regulatory Organisation (IMRO); in the compliance advisory teams at Deloitte & Touche and Ernst & Young; and as an independent compliance adviser.

Alex Matthey (Head of Investor Relations)

Alex is responsible for managing investor relations for the Investment Advisor's group. Alex was previously an Investor Relations Manager for INTERNOS Global Investors, a pan-European real estate manager with €3.5bn AUM. Before that, Alex worked at Clearbell Property Partners, a UK opportunistic real estate manager, primarily assisting with raising their second fund which closed at £400m. Over the last 12 years, Alex has also worked as a Corporate Broker for public and private entities as well as providing IR consultancy to a range of FTSE 350 and small-cap companies.

Charlotte Fletcher (Head of Transactions)

In order to continue to deliver strong performance, the Investment Advisor invests in talent and resource which will benefit the Group. The Investment Advisor appointed Charlotte as Head of Transactions in October 2018.

Charlotte is a qualified solicitor with responsibility for managing and implementing transactions. Prior to joining the Manager, Charlotte trained and practised as a solicitor at City law firm, Travers Smith, where she advised developers, lenders and property funds on a range of commercial real estate matters, including commercial and residential development and forward funding, acquisitions and disposal, re-financing and landlord and tenant work.

INVESTMENT OBJECTIVE AND POLICY

Investment objective

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

Investment policy

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

The Company will invest in these assets directly or through holdings in special purpose vehicles and will seek to acquire high quality properties, taking into account the following key investment considerations:

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

The Company will target a wide range of sectors, including, but not limited to, office, retail, leisure, industrial, distribution and alternatives - including hotels, serviced apartments, affordable housing and student accommodation. It will also focus on growth sub-sector areas such as discount retailers, budget hotel operators and "last mile" distribution units fuelled by online retail.

The Company will seek to only acquire assets let or pre-let to tenants with strong financial covenants and on long leases (typically 20 to 30 years to expiry or first break), with index-linked or fixed rental uplifts, in order to provide security of income and low cost of debt. The Company will only invest in assets with leases containing regular upward-only rental reviews. These reviews will typically link the growth in rents to an inflation index such as, RPI, RPIX or CPI (with potentially a minimum and maximum level) or alternatively may have a fixed annual growth rate.

The Company will neither undertake any direct development activity nor assume direct development risk. However, 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. In such circumstances, the Company will seek to negotiate the receipt of immediate income from the asset, such that the developer is paying the Company a return on its investment during the construction phase and prior to the tenant commencing rental payments under the terms of the lease.

Where the Company invests in forward funded developments:

- the Company will not acquire the land until full planning consent and tenant pre-lets are in place;
- the Company will pay a fixed price for the forward funded purchase, covering land, construction cost and developer's profit;
- all cost overruns will be the responsibility of the developer/contractor; and
- if there is a delay to completion of the works, this will be a risk for the developer/contractor, as they will pay the Company a return on the agreed acquisition price until practical completion occurs.

The Company may utilise derivative instruments for efficient portfolio management. The Company may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases as part of the Company's portfolio management.

The Company will not invest in other investment funds.

Investment restrictions

The Company will invest and manage its assets with the objective of spreading risk and will have the following investment restrictions:

- the value of no single property, at the time of acquisition of the relevant investment, will represent more than 30 per cent of the higher of: (i) Gross Asset Value; or (ii) where the Company has not yet become fully geared, Gross Asset Value adjusted on the assumption that the Company's property portfolio is geared at 30 per cent. loan to value;
- the aggregate maximum exposure to any one tenant, at the time of acquisition of the relevant investment, will be 30 per cent. of the higher of: (i) Gross Asset Value; or (ii) where the Company has not yet become fully geared, Gross Asset Value adjusted on the assumption that the Company's property portfolio is geared at 30 per cent. loan to value; and
- the Company will invest in no fewer than two sectors at any time.

The investment limits detailed above apply once the Gross Issue Proceeds are fully invested. The Company will not be required to dispose of any investment or to rebalance its portfolio as a result of a change in the respective valuations of its assets.

The Directors are focused on delivering capital growth over the medium term and intend to reinvest proceeds from any potential future disposals in accordance with the Company's investment policy. However, should the Company fail to re-invest the proceeds or part proceeds from any disposal within 12 months of receipt of the net proceeds, the Directors intend to return those proceeds or part proceeds to shareholders in a tax efficient manner as determined by the Directors from time to time.

Cash held for working capital purposes or received by the Company pending reinvestment or distribution will be held in sterling only and invested in cash, cash equivalents, near cash instruments and money market instruments.

The Directors currently intend at all times to conduct the affairs of the Company so as to enable it to qualify as a REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder).

The Company will at all times invest and manage its assets in a way that is consistent with its objective of spreading investment risk and in accordance with its published investment policy and will not at any time conduct any trading activity which is significant in the context of the business of the Company as a whole.

Borrowing policy

The Company will seek to utilise borrowings to enhance equity returns. The level of borrowing will be on a prudent basis for the asset class, and will seek to achieve a low cost of funds, whilst maintaining flexibility in the underlying security requirements and the structure of the Company. The Directors intend that the Company will maintain a conservative level of aggregate borrowings with a medium term target of 30 per cent. of the Company's gross assets and a maximum level of aggregate borrowings of 35 per cent. of the Company's gross assets at the time of drawdown of the relevant borrowings.

Debt will be secured at the asset level and potentially at the Company or SPV level, depending on the optimal structure for the Company and having consideration to key metrics including lender diversity, debt type and maturity profiles.

In the event of a breach of the investment policy and investment restrictions set out above, the Directors upon becoming aware of such breach will consider whether the breach is material, and if it is, notification will be made to a Regulatory Information Service.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution at any general meeting, which will also be notified by an RNS announcement.

KEY PERFORMANCE INDICATORS

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

KPI and definition	Relevance to strategy	Performance		Result
		2019	2018	
1. Total NAV return	Total NAV return	12.13%	11.91%	52% ahead of

<p>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.</p>	<p>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 of the Company's Annual Report, expected to be published on the Company's website on 20 May 2019.</p>			<p><i>our medium term minimum target.</i></p>
<p>2. Dividend per share</p> <p>Dividends paid to shareholders and proposed in relation to a period.</p>	<p>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.</p>	<p>5.50 pence</p>	<p>4.00 pence</p>	<p><i>10% ahead of our dividend target at IPO.</i></p>
<p>3. EPRA NAV per share</p> <p>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 NAV and IFRS NAV.</p>	<p>The NAV reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.</p>	<p>114.60 pence</p>	<p>107.67 pence</p>	<p><i>Increased EPRA NAV per share by 6.44%.</i></p>
<p>4. Loan to value</p>	<p>The LTV measures</p>	<p>29%</p>	<p>30%</p>	<p><i>Below our medium</i></p>

<p>The proportion of our total assets that is funded by borrowings. Our target maximum LTV is 35%.</p>	<p>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.</p>			<p><i>term maximum target of 35%.</i></p>
<p>5. Adjusted earnings per share</p> <p>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.</p>	<p>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 26 to the consolidated financial statements.</p>	<p>6.11 pence</p>	<p>5.05 pence</p>	<p><i>Reflecting 1.1 times dividend cover.</i></p>
<p>6. Total expense ratio</p> <p>The ratio of total operating expenses, including management fees expressed as a percentage of the net asset value.</p>	<p>The total expense ratio is a key measure of our operational excellence. Maintaining a low cost base supports our ability to pay dividends.</p>	<p>0.87%</p>	<p>1.14%</p>	<p><i>In line with our target.</i></p>
<p>7. Weighted average unexpired lease term</p> <p>The average unexpired lease terms of the property portfolio, weighted by annual passing rents. Our target WAULT is a minimum of 20 years.</p>	<p>The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security and predictability of our income stream.</p>	<p>22 years</p>	<p>24 years</p>	<p><i>In line with our investment objective.</i></p>
<p>8. Percentage of contracted rents index-linked or</p>	<p>This measures the extent to which we are investing in line with our</p>	<p>96%</p>	<p>96%</p>	<p><i>In line with our investment objective.</i></p>

fixed This takes the total value of contracted rents that contain rent reviews linked to inflation or fixed uplifts.	investment objective, to provide inflation-linked returns.			
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EPRA PERFORMANCE MEASURES

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

Reconciliations of EPRA Earnings and NAV are included in Notes 26 and 27 to the consolidated financial statements respectively. Reconciliations of other EPRA performance measures are included in the Additional Information section of the Company's Annual Report, expected to be published on the Company's website on 20 May 2019.

KPI and definition	Purpose	Performance	
		2019	2018
1. EPRA NAV Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long term investment property business.	Adjusts NAV under IFRS to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company, with a long term investment strategy.	£403.75 million / 114.60 pence per share	£211.98 million / 107.67 pence per share
2. EPRA Earnings Earnings from operational activities (which excludes the licence fees receivable on our forward funded development assets).	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	£14.85 million / 5.55 pence per share	£5.82 million / 4.20 pence per share
3. EPRA NNAV EPRA NAV adjusted to include the fair values of: (i) financial instruments; (ii) debt and; (iii) deferred taxes.	Adjusts EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.	£404.99 million / 114.95 pence per share	£212.92 million / 108.15 pence per share
4. EPRA NIY	This measure	5.14%	5.47%

Annualised rental income based on the cash rents passing at the reporting date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	should make it easier for investors to judge for themselves how the valuations of two portfolios compare.		
5. EPRA 'Topped-Up' NIY This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives, such as discounted rent periods and step rents).	This measure should make it easier for investors to judge for themselves how the valuations of two portfolios compare.	6.01%	7.67%
6. EPRA Vacancy Estimated market rental value ('ERV') of vacant space divided by the ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	0.00%	0.00%
7. EPRA Cost Ratio Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	16.37% (no direct vacancy costs incurred)	25.83% (no direct vacancy costs incurred)

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the principal risks and uncertainties faced by the Group are consistent with those identified in the Company's previous Annual Report and are as follows:

Risk	Mitigant	Probability	Impact
Property and real estate risks			

<p>Competition for properties</p> <p>The Group will face competition from other property investors. Competitors may have greater financial resources than the Group and a greater ability to borrow funds to acquire properties. Competition in the property market may also lead either to an oversupply of properties in the target market through over development or the price of existing properties being driven up through competing bids by potential purchasers.</p>	<p>The Board has set the overall investment objective and strategy of the Group. The Board reviews the performance of the Group against its investment objectives at quarterly Board meetings. The Investment Advisor monitors the Group's financial position and returns on an ongoing basis. The Investment Advisor has long standing relationships and an extensive track record. The Group also have a wide range of available assets given (i) the multi sector approach and (ii) our ability to forward fund as well as invest in built assets.</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Property valuation</p> <p>The Group invests in commercial properties. Property is inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty and there can be no assurance that the estimates resulting from the valuation process will reflect actual sales prices that could be realised by the Group in future. Such investments are generally illiquid; they may be difficult for the Group to sell and the price achieved on any realisation may be a discount to the prevailing valuation of the relevant property.</p>	<p>The Group only acquires properties with strong fundamentals that are of strategic importance to their tenants. The Group aims to hold assets for long-term income and embeds income growth into leases which contributes toward positive valuation movements. An experienced Independent Valuer has been appointed to carry out bi-annual property valuations. The performance of third party service providers is regularly reviewed by the Board.</p>	<p>Low</p>	<p>Moderate to High</p>
<p>Tenant default risk</p> <p>Dividends payable by the Group and ability to service the Group's debt will be dependent on the income from the properties it owns. Failure by one or more tenants to comply with their rental obligations could affect the ability of the Company to secure dividends.</p>	<p>The Group undertakes thorough due diligence before acquisition and only acquires assets let to strong tenants with proven operating track records who will be able to pay the rents as and when they are due. Tenant creditworthiness and performance is also monitored on an ongoing basis. The Group has 38 strong tenants across nine property sectors and is not over exposed to any single tenant or industry, minimising exposure.</p>	<p>Low</p>	<p>Moderate</p>
<p>Financial risks</p>			
<p>Operating within banking covenants</p> <p>The Group's borrowing facilities contain certain financial covenants relating to loan to value ratio and interest cover ratio, a breach of which would lead to a default on the loan. The Group must continue to operate within these financial covenants to avoid default.</p>	<p>The Group acquires property with a low loan to value ratio ('LTV') and there is significant headroom for valuation movements. The Group's LTV at 31 March 2019 was 29%, below our maximum LTV of 35% and materially below our default covenant of 50%. The Group has embedded index linked of fixed income growth in 96% of its leases, by value, and fully fixed the rate of debt. We also maintain a long WAULT which makes covenant compliance more predictable and the Investment Advisor regularly monitors this.</p>	<p>Low</p>	<p>High</p>
<p>Other risks</p>			
<p>Dependence on the Investment Advisor</p> <p>The Group relies on the Investment Advisors services, market intelligence, relationships and expertise. To a large extent the Group's performance is reliant on the continued service of the Investment Advisor. A termination of the Investment Advisory Agreement would have an adverse impact on the Group's performance.</p>	<p>The Board has executed a long-term Investment Advisory Agreement securing the services of Investment Advisor until February 2022. The Board meets regularly with the Investment Advisor to promote a positive working relationship and the performance of the Investment Advisory is monitored by the Management Engagement Committee. The Investment Advisory fee is based on a sliding scale of market capitalisation to align the Investment Advisor's interest with those of the shareholders.</p>	<p>Low</p>	<p>High</p>
<p>Compliance</p>	<p>The Investment Advisor monitors</p>	<p>Low</p>	<p>High</p>

<p>Failure to adhere to accounting, legal and regulatory requirements could result in material adverse consequences to the Group. If the Group fails to remain qualified as a REIT, the Group will be subject to UK corporation tax on some or all its property rental income and chargeable gains, which would reduce the earnings and amounts available for distribution to shareholders.</p>	<p>compliance with the REIT regime. The Group has appointed experienced third-party tax advisors to assist with tax compliance matters with appropriate relevant experience. Calculation of dividends is carried out by the Group's Administrator before review by the AIFM and Investment Advisor. The performance of third party service providers is regularly reviewed by the Board.</p>		
<p>Political uncertainty</p> <p>Following the decision to exit the European Union, the triggering of Article 50 and the subsequent failure to reach a deal, there is significant political and economic uncertainty in the UK. The extent of the potential impact on the Group is unknown but the impact on the economy could result in difficulty raising further capital in the EU and/or a change in the regulatory compliance burden on the Group. Until the terms of Brexit become clearer the exact outcome and potential impact for the business is difficult to predict.</p>	<p>The Board recognises that the level of uncertainty makes the risk difficult to mitigate fully. The strength of the Company's tenant and guarantor group reduces the risk of economic uncertainty impacting our income returns and our diverse portfolio is well positioned to withstand any economic downturn. The Group invests solely in UK property. We also note the flight to attractive secure long income which has emerged in the current climate of uncertainty, attracting many investors to the sector due to the positive yield gap to gilts. We continue to monitor closely the potential impact of changes in the regulatory environment that may impact the Group.</p>	<p>Moderate</p>	<p>Low</p>

Approval

The Strategic Report was approved by the Board of Directors

Stephen Hubbard

Chairman of the Board of Directors
17 May 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether applicable they have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'), subject to any material departures disclosed and explained in the Parent Company financial statements;
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- prepare a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, as regards to the Group financial statements, Article 4 of the IAS regulation. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation and, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the financial position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approval

This Directors' responsibilities statement was approved by the Board of Directors and signed on its behalf by:

Stephen Hubbard

Chairman of the Board of Directors
17 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Rental income	4	21,567	9,339
Administrative and other expenses	5	(3,530)	(2,412)
Operating profit before change in fair value and gain on disposal of investment property		18,037	6,927
Change in fair value of investment property	9	15,941	15,056
Gain on disposal of investment property	9	3,321	91
Operating profit		37,299	22,074
Finance income	6	129	43
Finance costs	7	(3,312)	(1,151)
Profit before tax		34,116	20,966
Taxation	8	-	-
Profit and total comprehensive income attributable to shareholders		34,116	20,966
Earnings per share - basic and diluted	26	12.75p	15.12p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company number: 10535081

	Note	31 March 2019 £000	31 March 2018 £000
Non-current assets			
Investment property	9	511,527	255,178
Total non-current assets		511,527	255,178
Current assets			
Trade and other receivables	11	4,697	5,624
Deferred acquisition costs		1,182	1,274
Restricted cash	12	43,204	17,876
Cash and cash equivalents	12	19,413	30,787
Total current assets		68,496	55,561
Total assets		580,023	310,739
Current liabilities			
Trade and other payables	13	8,966	5,237
Total current liabilities		8,966	5,237

Non-current liabilities			
Bank borrowings	14	167,311	93,521
Total non-current liabilities		167,311	93,521
Total liabilities		176,277	98,758
Net assets		403,746	211,981
Equity			
Share capital	15	3,523	1,969
Share premium reserve	16	229,270	58,979
Capital reduction reserve		115,871	130,067
Retained earnings		55,082	20,966
Total equity		403,746	211,981
Net asset value per share - basic and diluted	27	114.60p	107.67p
EPRA net asset value per share	27	114.60p	107.67p

The consolidated financial statements were approved and authorised for issue by the Board on 17 May 2019 and signed on its behalf by:

Stephen Hubbard
Chairman of the Board of Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period from 21 December 2016 to 31 March 2018	Note	Share capital £000	Share premium reserve £000	Capital reduction reserve £000	Retained earnings £000	Total equity £000
Balance at 21 December 2016		-	-	-	-	-
Profit and total comprehensive income attributable to shareholders for the period		-	-	-	20,966	20,966
Transactions with owners						
First issue of ordinary shares in the period	15,16	1,382	136,768	-	-	138,150
Share issue costs	16	-	(2,688)	-	-	(2,688)
Cancellation of share premium	16	-	(134,005)	134,005	-	-
Second issue of ordinary shares in the period	15,16	587	59,613	-	-	60,200
Share issue costs	16	-	(709)	-	-	(709)
Dividends paid in the period	17	-	-	(3,938)	-	(3,938)
Balance at 31 March 2018		1,969	58,979	130,067	20,966	211,981

CONSOLIDATED CASH FLOW STATEMENT

Note	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Cash flows from operating activities		
	34,116	20,966
	Adjustments for:	
Finance income	6 (129)	(43)
Finance costs	7 3,312	1,151
Change in fair value of investment property	9 (15,941)	(15,056)
Gain on disposal of investment property	9 (3,321)	(91)
Accretion of tenant lease incentives	4 (3,005)	(1,687)
	15,032	5,240
Operating results before working capital changes		
	Decrease/(Increase) in trade and other receivables	
	926	(5,624)
	Increase in trade and other payables	
	3,589	3,121
	19,547	2,737
Net cash flow generated from operating activities		
Cash flows from investing activities		
	(288,004)	(238,452)
	54,671	702
	129	43
	(233,204)	(237,707)
Net cash flow used in investing activities		
Cash flows from financing activities		
	175,250	198,350
	(3,403)	(3,397)
	(14,196)	(3,458)
	(3,636)	(1,313)
Bank borrowings drawn	25 49,671	77,124
Loan arrangement fees paid	25 (1,403)	(1,549)
	202,283	265,757
Net cash flow generated from financing activities		
	(11,374)	30,787
Net (decrease)/increase in cash and cash equivalents		
	Cash and cash equivalents at the beginning of the period	
	30,787	-
	Cash and cash equivalents at the end of the period	
12	19,413	30,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 March 2019. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Group's financial statements for the year ended 31 March 2019, but is derived from those financial statements. Those financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group. Financial statements for the year ended 31 March 2019 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Independent Auditor's report on the 31 March 2019 financial statements was unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006.

The financial statements have been prepared for the year ended 31 March 2019. The comparative information included in the financial statements relates to the period from incorporation on 21 December 2016 to 31 March 2018 with operating activity commencing at IPO on 27 February 2017.

The Group's financial statements have been prepared on a historical cost basis, as modified for the Group's investment properties which have been measured at fair value through the statement of comprehensive income.

The consolidated financial statements are presented in Sterling, which is also the Group's functional currency, and values are rounded to the nearest thousand except where indicated otherwise.

- **Standards effective from 1 April 2018**

New standards impacting the Group that have been adopted for the first time in this set of financial statements are:

- IFRS 9 Financial Instruments; and

- IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instrument: Recognition and Measurement.

Due to the nature of the Group's financial instruments, the adoption of IFRS 9 does not have a material impact on classification or measurement of the Group's financial instruments.

Having considered the requirements of IFRS 9, under section 5.5.15(b), the simplified approach has been applied when considering the Expected Credit Loss ("ECL") model when determining the expectations of impairment. Under the simplified approach the Group is always required to measure lifetime expected losses. The Board incorporates forward looking information when estimating the appropriate amount of any provision.

Given the nature of the Group's receivables and counterparties the probability of credit loss is immeasurably small and therefore any ECL arising is concluded to be immaterial.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 has replaced IAS 11 Construction Contracts and IAS 18 Revenue.

The standard applies to revenue from contracts with customers as defined and scopes out rental receipts that arise from lease contracts.

The Board is satisfied the standard has no material impact on the financial statements as rental income is outside the scope of the standard and the Group's only revenue is currently generated from rental income from leases that do not contain any service components.

- **Standards in issue but not yet effective**

The following new standard, which is not yet effective and has not been early adopted in this financial information will or may have an effect on the Group's future financial statements:

- IFRS 16 Leases: introduction of a single, on-balance sheet accounting model for leases which refers primarily to accounting for lessees (effective for annual periods beginning on or after 1 January 2019).

The Group holds long leasehold interests in certain of its investment property portfolio. On all such properties owned by the Group the headlease rents are peppercorn and as such there are no material lease liabilities to recognise on balance sheet. No changes have been identified in respect of the leases where the Group acts as lessee.

The Group leases its investment property to tenants on long term occupational leases that are classified as operating leases. No changes have been identified in respect of the leases where the Group acts as lessor.

The Board has given due consideration to the impact on the consolidated financial statements of the standard listed above and at present they do not anticipate that the adoption of these standards and interpretations will have a material impact on the consolidated financial statements in the period of initial application, other than on presentation and disclosure.

- **Going concern**

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

The Group benefits from a secure income stream from long leases with its tenants, which is not overly reliant on any one tenant and present a well-diversified risk. The Group's cash balance at 31 March 2019 comprised £19.41 million (31 March 2018: £30.79 million) which was readily available and £43.2 million which is restricted (31 March 2018: £17.88 million) (Note 12). At 31 March 2019, the Group had capital commitments totalling £22.38 million (31 March 2018: £21.65 million) (Note 23).

Restricted cash is held by the bank subject to certain properties entering the security pool and is expected to be fully drawn down within four weeks of the reporting date.

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

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

2. Significant accounting judgments, estimate and assumptions

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

Estimates:

- **Valuation of investment properties (Note 9)**

The Group uses the valuation carried out by Knight Frank LLP (the "Independent Valuer") as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income and the appropriate capitalisation rate. The Independent Valuer makes reference to market evidence of transaction prices for similar properties.

The Group's properties have been independently valued by its Independent Valuer in accordance with the definitions published by the Royal Institute of Chartered Surveyors ("RICS") Valuation - Professional Standards, July 2017, Global and UK Editions (commonly known as the 'Red Book').

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

With respect to the consolidated financial statements, investment properties are valued at their fair value at each reporting date in accordance with IFRS 13 which recognises a variety of fair value inputs depending upon the nature of the investment. Given the bespoke nature of each of the Group's investments, all of the Group's investment properties are included in Level 3. Details of the nature of these inputs and sensitivity analysis is provided in Note 9.

Judgments:

- **Classification of lease arrangements - the Group as lessor (Note 18)**

The Group has acquired investment property that is leased to tenants. In considering the classification of lease arrangements, at inception of each lease the Group considers the economic life of the asset compared with the lease term and the present value of the minimum lease payments and any residual value compared with the fair value and associated costs of acquiring the asset as well as qualitative factors as indicators that may assert to the risks and rewards of ownership having been substantially retained or transferred. Based on evaluation the Group has determined that it retains all the significant risks and rewards of ownership of its investment property and accounts for the lease arrangements as operating leases.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied.

- **Basis of consolidation**

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

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

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

- **Investment property**

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

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

During the period between initial investment and the rent commencement date, the Group receives licence fee income from the developer. Licence fees receivable by the Group in respect of the period are treated as discounts to the cost of investment property. Any economic benefit of the licence fee is recognised through the change in fair value of investment property.

When development completion is reached, the completed investment property is transferred to the appropriate class of investment property at the fair value at the date of practical completion so that any economic benefit of the licence fee is appropriately reflected within investment property under construction.

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

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

Deferred acquisition costs represent costs incurred on investment properties which completed after the period end and will subsequently be capitalised.

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

- **Financial instruments**

a. Financial assets

The Group classifies its financial assets as fair value through profit or loss or amortised cost, depending on the purpose for which the asset was acquired and based on the business model test. There are no financial assets held at fair value through profit or loss. The Group's accounting policy for financial assets classified as amortised cost is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. rent receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

Impairment provisions for receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the rent receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the rent receivables. For rent receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise rent receivable, restricted cash and cash and cash equivalents in the consolidated statement of financial position.

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

Restricted cash represents cash withheld by the lender on drawdowns of borrowings referred to in Note 14 until the certain security is provided to release the funds and in consequence does not form an integral part of the Group's cash management as at the reporting date.

b. Financial liabilities

The Group classifies its financial liabilities as fair value through profit or loss or other financial liabilities, depending on the purpose for which the liability was acquired and based on the business model test. There are no financial liabilities held at fair value through profit or loss. The Group's accounting policy for financial liabilities classified as other financial liabilities is as follows:

Other financial liabilities

Bank borrowings which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensure that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Group Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payment while the liability is outstanding.

Trade and other payables that are financial liabilities are initially recognised at fair value. Where a financing component is identified in respect of long term payables the fair value is calculated with reference to an imputed interest rate and subsequently amortised using the effective interest rate method. Short term financial liabilities are carried at their expected settlement value.

- **Fair value hierarchy**

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

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

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

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

- **Leases - The Group as Lessor**

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

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

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

- **Taxation**

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

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

- **Dividends payable to shareholders**

Dividends to the Company's shareholders are recognised as a reduction in equity in the financial statements at the earlier of the date they are paid and the date they are approved at the AGM.

- **Finance income and finance costs**

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

Any finance costs that are separately identifiable and directly attributable to the development of an investment property that takes a period of time to complete are capitalised as part of the cost of the asset.

- **Equity issue costs**

The costs of issuing equity instruments are accounted for as a deduction from equity.

4. Rental income

	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Rental income from investment property	18,562	7,652
Accretion of tenant lease incentives (Note 9)	3,005	1,687
	21,567	9,339

5. Administrative and other expenses

	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Investment advisory fees	2,337	1,387
Legal and professional fees	352	397
Directors' fees	133	142
Employer's national insurance	14	15
Corporate administration fees	243	193
Other administrative costs	264	72

Advertising & Marketing	77	76
Fees paid to the Company's Independent Auditor	110	130
	3,530	2,412

Fees paid to the Company's Independent Auditor comprise £20,000 for the interim review (31 March 2018: £20,000), £95,000 in respect of the audit of the Annual Report and financial statements (31 March 2018: £95,000), £20,000 in respect of the audit of the subsidiary financial statements and £Nil for the audit of the Company's initial accounts (31 March 2018: £15,000).

The Company has paid £66,000 additional fees to the Company's Independent Auditor in the period which have been treated as a reduction in equity as share issue costs (31 March 2018: £97,000).

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

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

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

- One-twelfth of 0.75 per cent per calendar month of market capitalisation up to or equal to £500 million; and
- One-twelfth of 0.65 per cent per calendar month of market capitalisation above £500 million.

No performance fee is payable to the Investment Advisor.

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

6. Finance income

	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Interest on cash held at bank	129	43
	129	43

7. Finance costs

	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Interest payable on bank borrowings	3,138	1,090
Amortisation of loan arrangement fees	171	58
Bank charges	3	3
	3,312	1,151

Capitalised finance costs are included within property acquisitions in Note 9. The total interest payable on financial liabilities carried at amortised cost comprised:

- the interest payable on bank borrowings totalling £3,437,000 of which £299,000 was capitalised (31 March 2018: £1,310,000 of which £220,000 was capitalised); and
- the amortisation of loan arrangement fees totalling £194,000 of which £23,000 was capitalised (31 March 2018: £70,000 of which £12,000 was capitalised).

8. Taxation

The Group is a real estate investment trust ("REIT") and as a result the profit and gains arising from the Group's property rental business are exempt from UK corporation tax provided the Group meets certain conditions as set out in the UK REIT regulations. Profits arising from any residual activities (e.g. trading activities and interest income), after the utilisation of any available residual tax losses, are subject to corporation tax at the main rate of 19% for the year.

	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Current tax	-	-
Total current tax	-	-
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Tax charge	-	-

Reconciliation of the total tax charge

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

	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Profit before tax	34,116	20,966
Tax at the standard rate of UK corporation tax of 19%	6,482	3,984
Effects of:		
REIT exempt income	(3,453)	(1,122)
Revaluation of investment properties	(3,029)	(2,862)
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.

9. Investment property

	Investment property long leasehold £000	Investment property freehold £000	Investment property in course of construction £000	Total £000
Year ended 31 March 2019				
Balance at 1 April 2018	12,585	216,026	26,567	255,178
Property acquisitions	19,872	230,543	39,740	290,155
Licence fee receivable (Note 26)	-	-	(1,499)	(1,499)
Tenant lease incentives (Note 4)	171	2,834	-	3,005
Property disposals	(1,319)	(49,934)	-	(51,253)
Change in fair value	1,907	10,573	3,461	15,941
Transfers of completed property	-	48,409	(48,409)	-
Balance at 31 March 2019	33,216	458,451	19,860	511,527
Period from 21 December 2016 to 31 March 2018				
Balance at 21 December 2016	-	-	-	-
Property acquisitions	12,106	200,121	28,007	240,234
Licence fee receivable (Note 26)	-	-	(1,188)	(1,188)
Tenant lease incentives (Note 4)	196	1,491	-	1,687
Property disposals	-	(611)	-	(611)
Change in fair value	283	8,234	6,539	15,056
Transfers of completed property	-	6,791	(6,791)	-
Balance at 31 March 2018	12,585	216,026	26,567	255,178

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 £589.5 million⁴ at 31 March 2019 (31 March 2018: £278.92 million) including capital commitments on forward funded assets and assets that had exchanged but not completed.

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

All ground rents payable by the Group on long leasehold properties are nominal and as such no finance lease liability has been recognised in respect of these properties.

Reconciliation of fair value to total portfolio valuation

	31 March 2019 £000	31 March 2018 £000
Investment property at fair value	511,527	255,178
Capital commitments on forward funded assets (Note 23)	22,383	21,647
Vendor discount in respect of rent-free periods and top-ups	2,627	1,134
Licence fee receivable (Note 11)	633	961
Total completed portfolio valuation	537,170	278,920
Valuation of property that has exchanged but not completed	52,330	-
Total portfolio valuation⁴	589,500	278,920

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

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

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

Investment property at fair value

Valuation	Quoted prices in active markets (Level 1) £000	Significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
31 March 2019	-	-	511,527	511,527
31 March 2018	-	-	255,178	255,178

There have been no transfers between levels during the 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.

Sector	Passing rent p.a. 31 March 2019 £000	Passing rent p.a. range £000	Valuation 31 March 2019 £000	Valuation yield range %
Hotel	8,676	332 - 1,200	162,940	4.24 - 6.49
Industrial	7,973	225 - 3,241	150,640	4.68 - 6.01
Healthcare	6,836	10 - 941	116,315	5.21 - 6.34
Discount foodstores	3,007	271 - 716	54,050	4.51 - 5.90
Leisure	2,513	70 - 858	45,930	4.75 - 5.74
Other	3,190	360 - 1,332	59,625	4.50 - 6.33
Portfolio	32,195	10 - 3,241	589,500	4.24 - 6.49

Sensitivities of measurement of significant inputs

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

Valuation	-5% in passing rent £000	+5% in passing rent £000	+25bps in net initial yield £000	-25bps in net initial yield £000
31 March 2019	(27,772)	25,838	(26,117)	26,818
31 March 2018	(14,183)	13,693	(12,742)	13,493

Realised gain on disposal of investment property

During the year, the Group disposed of certain of its investment property. The table below shows a reconciliation of the gain recognised on

disposal through the consolidated statement of comprehensive income and the realised gain on disposals in the year which includes changes in fair value of the investment property recognised in previous periods.

	31 March 2019 £000	31 March 2018 £000
Consideration received	54,671	729
Less:		
Carrying value	(51,327)	(611)
Selling costs	(23)	(27)
Gain on disposal of investment property	3,321	91
Add:		
Change in fair value recognised in previous periods	3,137	-
Realised gain on disposal of investment property	6,458	91

10. Financial instruments

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

Bank borrowings	Book value £000	Fair value £000
31 March 2019	167,311	166,064
31 March 2018	93,521	92,579

11. Trade and other receivables

	31 March 2019 £000	31 March 2018 £000
Recoverable VAT	314	3,499
Licence fee receivable (Note 9)	633	961
Rent receivable	3,466	1,130
Prepayments and other receivables	284	34
	4,697	5,624

All amounts were due for receipt within one year.

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

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

The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 31 March 2019. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Both the expected credit loss provision and the incurred loss provision in the current and prior year are immaterial. No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

Trade and other receivables that are financial assets amount to £4,099,000 (31 March 2018: £2,091,000) which comprises licence fee receivable and rent receivable.

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

	31 March 2019 £000	31 March 2018 £000
30 days or fewer	4,099	2,125
31 to 60 days	-	-
61 to 90 days	-	-
91 days or more	-	-
	4,099	2,125

12. Cash reserves

	31 March 2019 £000	31 March 2018 £000
Cash at bank	19,219	30,712
Cash held by lawyers	194	75
Cash and cash equivalents	19,413	30,787
Restricted cash	43,204	17,876
Total cash at bank	62,617	48,663

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

13. Trade and other payables

	31 March 2019 £000	31 March 2018 £000
Accrued investment property costs	1,143	1,636
Deferred rental income	4,581	1,978
Accruals	390	281
Trade and other payables	1,798	1,324
Directors' fees	18	18
Corporation tax payable ¹	1,036	-
	8,966	5,237

All amounts were due for payment within one year.

Trade and other payables that are financial liabilities amount to £3,349,000 (31 March 2018: £3,259,000) which comprises accrued investment property costs, accruals, trade and other payables and Directors' fees.

¹ Corporation tax payable are liabilities of the Company's subsidiaries that accrued prior to acquisition and entry to the REIT regime. No tax liabilities have arisen within the Group and the tax charge for the year disclosed in Note 8 is £Nil (31 March 2018: £Nil).

14. Bank borrowings

	31 March 2019 £000	31 March 2018 £000
Capital outstanding		
At beginning of the period	95,000	-
Drawdowns	75,000	95,000
At end of the period	170,000	95,000
Less: unamortised loan arrangement fees	(2,689)	(1,479)
Carrying value	167,311	93,521

Maturity of bank borrowings

	31 March 2019 £000	31 March 2018 £000
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	-	-
Repayable after 5 years	167,311	93,521
	167,311	93,521

At 31 March 2019, the Group's borrowings comprise the following three facilities with Scottish Widows Limited:

- A fixed rate, interest only loan facility of £55 million. The facility has an all-in rate of 2.93% p.a., for the duration of the loan term and is due for repayment in July 2029;
- A fixed rate, interest only loan facility of £40 million. The facility has an all-in rate of 2.85% p.a., for the duration of the loan term and is due for repayment in July 2029; and
- A fixed rate, interest only loan facility of £75 million. The facility has a fixed all-in rate payable of 2.99% p.a., for the duration of the loan term and is due for repayment in December 2034.

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

15. Share capital

Shares of £0.01 each	31 March 2019 Number	31 March 2019 £000	31 March 2018 Number	31 March 2018 £000
At the beginning of the period	196,881,707	1,969	-	-
Issued during the period	155,433,165	1,554	196,881,707	1,969
At the end of the period	352,314,872	3,523	196,881,707	1,969
Issued and fully paid	352,314,872	3,523	196,881,707	1,969

On 27 January 2017, 50,000 redeemable preference shares of £1.00 were issued at par. These shares were subsequently redeemed at par and cancelled on 22 February 2017.

The Company achieved admission to the premium listing segment of the Official List of the London Stock Exchange on 27 February 2017. At IPO, the Company issued 138,150,000 shares of 1 pence nominal value and a premium of 99 pence per share for total consideration of £138.15 million.

On 16 October 2017 the Company issued 58,731,707 additional shares of 1 pence nominal value and a premium of 101.5 pence per share for total consideration of £60.20 million.

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

16. Share premium reserve

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

Share premium reserve	£000
Year ended 31 March 2019	
Balance at 1 April 2018	58,979
Share premium arising on issue of ordinary shares	173,696
Share issue costs	(3,405)
Balance at 31 March 2019	229,270
Period from 21 December 2016 to 31 March 2018	
Balance at 21 December 2016	-
Share premium arising on first issue of ordinary shares	136,768
Share issue costs	(2,688)
Transfer to capital reduction reserve	(134,005)
Share premium arising on second issue of ordinary shares	59,613
Share issue costs	(709)
Balance at 31 March 2018	58,979

On 27 January 2017, a resolution was passed authorising the cancellation of the share premium reserve conditional on the following terms:

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

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

17. Dividends

Dividends paid and declared	£000
Year ended 31 March 2019	
Final dividend in respect of period ended 31 March 2018 at 2.00 pence per ordinary share	3,938
First quarterly dividend in respect of year ended 31 March 2019 at 1.375 pence per ordinary share	2,707
Second quarterly dividend in respect of year ended 31 March 2019 at 1.375 pence per ordinary share	2,707
Third quarterly dividend in respect of year ended 31 March 2019 at 1.375 pence per ordinary share	4,844
Total dividends paid	14,196
Total dividend per share paid in the year	6.125p
Total dividend per share paid and proposed in respect of the year	5.50p
Period from 21 December 2016 to 31 March 2018	
First interim dividend in respect of period ended 31 March 2018 at 1.00 pence per ordinary share	1,969
Second interim dividend in respect of period ended 31 March 2018 at 1.00 pence per ordinary share	1,969
Total dividends paid	3,938
Total dividend per share paid in the period	2.00p
Total dividend per share paid and proposed in respect of the period	4.00p

Dividends in respect of the period ended 31 March 2018

On 23 November 2017, the Company announced first interim dividend in respect of the period from 21 December 2016 to 30 September 2017 of 1.00 pence per ordinary share which was paid on 29 December 2017 to ordinary shareholders on the register on 1 December 2017.

On 16 February 2018, the Company announced second interim dividend in respect of the period from 1 October 2017 to 31 December 2017 of 1.00 pence per ordinary share which was paid on 29 March 2018 to ordinary shareholders on the register on 2 March 2018.

On 21 May 2018, the Company proposed final dividend in respect of the period from 1 January 2018 to 31 March 2018 of 2.00 pence per ordinary share which was paid on 2 July 2018 to shareholders on the register at the close of business on 6 June 2018. The ordinary shares went ex-dividend on 7 June 2018. The final dividend was approved by shareholders at the Company's AGM on 26 June 2018.

Dividends in respect of the year ending 31 March 2019

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

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

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

On 17 May 2019, the Board proposed a final dividend in respect of the period from 1 January 2019 to 31 March 2019 of 2.00 pence per ordinary share, payable to shareholders on the register at the close of business on 31 May 2019.

18. Operating leases - The Group as lessor

The future minimum lease receivable by the Group under non-cancellable operating leases at 31 March 2019 are as follows:

Lease receivables	< 1 year	2-5 years	> 5 years	Total
	£000	£000	£000	£000
31 March 2019	25,924	107,096	491,411	624,431
31 March 2018	13,252	55,053	328,864	397,169

All of the Group's lease arrangements:

- are on full repairing and insuring terms, meaning the tenants are responsible for repair, maintenance and outgoings;
- provide for fixed rents (rather than turnover rents), which review on an upward-only basis (either annually or five yearly). The vast majority (96%) have rent reviews directly linked to inflation or on a fixed uplift basis; and
- have long contractual terms, averaging 22 years to the earlier of first tenant break or expiry.

19. Segmental information

Operating segments are identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case is the Board, comprising the non-executive Directors, and the Investment Advisor) in order to allocate resources to the segments and to assess their performance.

The internal financial reports contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the consolidated financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA and alternative performance measures as disclosed in Notes 26 and 27 and the Additional Information of the Company's Annual Report, expected to be published on the Company's website on 20 May 2019.

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

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

During the year one (31 March 2018: three) tenant(s) contributed more than 10% of the Group's rental income from investment property and is therefore considered a major customer. The contribution of the major customer to rental income was £1,920,000 (31 March 2018: £1,342,000, £1,269,000 and £1,043,000 respectively).

20. Related party transactions

Fees payable to the Directors, save where the Company determines otherwise, are satisfied in ordinary shares acquired at market value, such ordinary shares are acquired on the open market without a new issue of shares on behalf of the Directors by the Company's broker. Any ordinary shares acquired by the Directors pursuant to these arrangements shall be subject to the terms of the Lock-in Deed.

Fees of £133,000 were payable to the Directors in respect of the year (31 March 2018: £142,000). At 31 March 2019, the amount of £18,000 was due to the Directors (31 March 2018: £18,000) which was settled through the acquisition of shares in the Company on the open market.

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

		31 March 2019	31 March 2018
		Number	Number
Stephen Hubbard (Chairman)	Purchased	49,099	71,057
	Held	120,156	71,057
Colin Smith	Purchased	13,131	160,681
	Held	173,812	160,681
John Cartwright	Purchased	16,928	38,030
	Held	54,958	38,030
Jan Etherden	Purchased	13,404	30,838
	Held	44,242	30,838

A summary of Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report.

A fee of £2,337,000 was payable to the Investment Advisor in respect of the year (31 March 2018: £1,387,000). At 31 March 2019, £273,000 was due to the Investment Advisor (31 March 2018, £125,000).

On 27 January 2017, 50,000 redeemable preference shares of £1.00 were issued to a former Director of the Company at par. These shares were subsequently redeemed at par and cancelled on 22 February 2017.

During and since the year ended 31 March 2019 the Company completed the disposal of 17 separate supported living healthcare assets for a total consideration of £24,983,000 to a related party by virtue of mutual AIFM.

21. Consolidated entities

The Company owns 100% of the equity shares of all subsidiaries listed below and has the power to appoint and remove the majority of the Board of Directors of those subsidiaries. The relevant activities of the below subsidiaries are determined by the respective Directors based on simple majority votes. Therefore, the Board of the Company has concluded that the Company has control over all these entities and all these entities have been consolidated within this set of 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%
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 Property Unit Trust 8*	Property Investment	Jersey	100%
Grove Asset 8 S.A R.L.*	Property Investment	Luxembourg	100%

* Subsidiaries indirectly owned.

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

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

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

22. Financial risk management

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

• Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has reduced the interest rate risk on its external borrowing by fixing the rate of interest payable.

• Credit risk

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

Credit risk related to financial instruments and cash deposits

One of the principal credit risks of the Group arises with the banks and financial institutions. The Board of Directors believes that the credit risk on short term deposits and current account cash balances is limited because of low counterparty risk, the counterparties being banks with high credit ratings.

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

Credit risk related to leasing activities

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

• Liquidity risk

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

The following table details the Group's liquidity analysis in respect of its financial liabilities on contractual undiscounted payments:

	< 3 months £000	3-12 months £000	1-5 years £000	> 5 years £000	Total £000
31 March 2019					
Financial liabilities					
Bank borrowings (Note 14)	-	-	-	170,000	170,000
Interest payable on bank borrowings	1,208	3,650	19,391	34,712	58,961
Trade and other payables (Note 13)	3,349	-	-	-	3,349
	4,557	3,650	19,391	204,712	232,310

31 March 2018

Financial liabilities

Bank borrowings (Note 14)	-	-	-	95,000	95,000
Interest payable on bank borrowings	694	2,060	13,776	14,508	31,038
Trade and other payables (Note 13)	3,259	-	-	-	3,259
	3,953	2,060	13,776	109,508	129,297

• Capital management

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

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

- The level of borrowing will be on a prudent basis for the asset class and will seek to achieve a low cost of funds, whilst maintaining flexibility in the underlying security requirements and structure of the Group.
- The Board intends to maintain a conservative level of aggregate borrowings with a medium term maximum target of 35% of the Group's total assets.

23. Capital commitments

At 31 March 2019 the Group had capital commitments of £22,383,000 (31 March 2018: £21,647,000) in relation to the cost to complete its forward funded pre-let development assets. All commitments fall due for settlement within one year from the date of this report.

24. Contingent liabilities

At 31 March 2019 the Group had contingent liabilities relating to acquisitions where contracts had been exchanged but substantial conditions to completion remained outstanding totalling £49,008,000 (31 March 2018: £17,330,000). All contingent liabilities are expected to fall due for settlement within one year from the date of this report.

25. Reconciliation of liabilities to cash flows from financing activities

	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Bank borrowings at start of the period	93,521	-
Cash flows from financing activities		
Bank borrowings drawn	49,671	77,124
Loan arrangement fees paid	(1,403)	(1,549)
Non-cash movements		
Amortisation of loan arrangement fees	194	70
Increase in restricted cash	25,328	17,876
Bank borrowings at end of the period	167,311	93,521

26. 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.

	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 ¹ £000
Earnings	34,116	20,966
Weighted average number of ordinary shares	267,571,859	138,615,909
Earnings per share ("EPS") (pence)	12.75	15.12
Adjustments to remove:		
Change in fair value of investment property (Note 9)	(15,941)	(15,056)
Gain on disposal of investment property (Note 9)	(3,321)	(91)
EPRA earnings	14,854	5,819
Weighted average number of ordinary shares	267,571,859	138,615,909
EPRA EPS (pence)	5.55	4.20
Adjustments to include:		
Licence fees receivable (Note 9)	1,499	1,188

Adjusted earnings before realised gain on disposal of investment property	16,353	7,007
Weighted average number of ordinary shares	267,571,859	138,615,909
Adjusted EPS (pence)	6.11	5.05

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 receivable is to recognise them as a discount to the cost of the investment property, however the Board considers these returns an important component of the Group's performance and key to underpinning the Company's dividend targets and payment.

- 1 Reported Adjusted EPS for the period ended 31 March 2018 included realised gains on disposal of investment property in the period. The Board considers that as this capital is reinvested and not distributed it is not appropriate to consider when assessing the Company's dividend payment and therefore the comparative has been updated to reflect this.

27. 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.

	31 March 2019 £000	31 March 2018 £000
Net asset value ("NAV")	403,746	211,981
Number of ordinary shares	352,314,872	196,881,707
NAV per share (pence)	114.60	107.67
Adjustments to calculate EPRA NAV	-	-
EPRA NAV	403,746	211,981
Number of ordinary shares	352,314,872	196,881,707
EPRA NAV per share (pence)	114.60	107.67

28. Post balance sheet events

On 17 April 2019, the Group completed the £14.5 million acquisition of a garden centre let to Dobbies Garden Centres Limited in Morpeth with a 30 year unbroken lease term and RPI linked uplifts, reflecting NIY of 5.5%.

On 1 May 2019, the Group completed the disposal of a portfolio of six supported living healthcare assets generating a geared IRR of 19% p.a. and a realised gain on disposal of £1.2 million.

On 17 May 2019, the Board proposed a final dividend in respect of the year ended 31 March 2019 of 1.375 pence per share bringing the total dividend paid and proposed in respect of the year to 5.50 pence.

On 17 May 2019 the Board agreed an increased dividend per share target for the year ending 31 March 2020 of 5.75 pence (31 March 2019: 5.50 pence) reflecting growth of 4.55%.

On 17 May 2019, the Board proposed a target equity raise of £100 million to acquire a pipeline of accretive assets to deliver further value to shareholders. A prospectus is expected to be published in connection with the raise on 20 May 2019. The raise will be implemented by way of a placing, open offer, offer for subscription and intermediaries offer, which is expected to close on 12 June 2019 and is subject to shareholder approval at a general meeting that has been convened for 9.15 a.m. on 12 June 2019.

29. Controlling parties

There is no ultimate controlling party of the Group.

COMPANY STATEMENT OF FINANCIAL POSITION

Company number: 10535081

	Note	31 March 2019 £000	31 March 2018 £000
Non-current assets			
Investment in subsidiaries	4	384,603	183,885
Investment property	5	4,140	6,500
Total non-current assets		388,743	190,385
Current assets			
Trade and other receivables	6	6,562	10,438
Cash and cash equivalents	7	57	657
Total current assets		6,619	11,095
Total assets		395,362	201,480

Current liabilities

Trade and other payables	8	33,784	7,566
Total current liabilities		33,784	7,566
Total liabilities		33,784	7,566
Net assets		361,578	193,914
Equity			
Share capital	10	3,523	1,969
Share premium reserve	11	229,270	58,979
Capital reduction reserve		115,871	130,067
Retained earnings		12,914	2,899
Total equity		361,578	193,914
Net asset value per share - basic and diluted	12	102.63p	98.49p

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit and total comprehensive income attributable to shareholders of the Parent Company for the year amounted to £10,015,000 (31 March 2018: £2,899,000).

The Company financial statements were approved and authorised for issue by the Board on 17 May 2019 and signed on its behalf by:

Stephen Hubbard
Chairman of the Board of Directors

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019	Note	Share capital £000	Share premium reserve £000	Capital reduction reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2018		1,969	58,979	130,067	2,899	193,914
Profit and total comprehensive income attributable to shareholders for the year		-	-	-	10,015	10,015
Transactions with owners						
Issue of ordinary shares in the year	10,11	1,554	173,696	-	-	175,250
Share issue costs	11	-	(3,405)	-	-	(3,405)
Dividends paid in the year	9	-	-	(14,196)	-	(14,196)
Balance at 31 March 2019		3,523	229,270	115,871	12,914	361,578

COMPANY STATEMENT OF CHANGES IN EQUITY

Period from 21 December 2016 to 31 March 2018	Note	Share capital £000	Share premium reserve £000	Capital reduction reserve £000	Retained earnings £000	Total equity £000
Balance as at 21 December 2016		-	-	-	-	-
Profit and total comprehensive income attributable to shareholders for the period		-	-	-	2,899	2,899
Transactions with owners						
First issue of Ordinary Shares	10,11	1,382	136,768	-	-	138,150
Share issue costs	11	-	(2,688)	-	-	(2,688)
Cancellation of share premium	11	-	(134,005)	134,005	-	-
Second issue of Ordinary Shares	10,11	587	59,613	-	-	60,200
Share issue costs	11	-	(709)	-	-	(709)
Dividends paid in the period	9	-	-	(3,938)	-	(3,938)
Balance as at 31 March 2018		1,969	58,979	130,067	2,899	193,914

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Basis of preparation

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 March 2019. Whilst the financial information included in this announcement has been computed in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ('FRS 100') and Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'), this announcement does not itself contain sufficient information to comply with FRS 100 and FRS 101. The financial information does not constitute the Company's financial statements for the year ended 31 March 2019, but is derived from those financial statements. Those financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company. Financial statements for the year ended 31 March 2019 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Independent Auditor's report on the 31 March 2019 financial statements was unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006.

• Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of disclosure exemptions conferred by FRS 101 and therefore these financial statements do not include:

- Certain disclosures regarding the Company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel; and
- Disclosure of related party transactions with other wholly owned members of the Company.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Group Financial Statements. These financial statements do not include certain disclosures in respect of:

- Financial instruments; and
- Fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value.

The principal accounting policies applied in the preparation of the financial statements are set out below.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency.

• Standards effective from 1 April 2018

New standards impacting the Company that have been adopted for the first time in this set of financial statements are:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instrument: Recognition and Measurement.

Due to the nature of the Company's financial instruments, the adoption of IFRS 9 does not have a material impact on the classification and measurement of the Company's financial instruments.

The Company adopted the expected credit loss ("ECL") model when calculating impairment losses on its financial assets measured at amortised cost which comprise amounts due from subsidiaries. This resulted in increased judgment being required in order to assess the requirement for an impairment provision due to the need to factor in forward looking information when estimating the appropriate amount of provision. Having considered the post balance sheet settlement of the receivables, the Board does not consider any to be impaired and the probability of credit loss is immeasurably small and therefore any ECL arising to be immaterial.

Having considered the requirements of IFRS 9, under section 5.5.15(b), the simplified approach has been applied when considering the ECL model when determining the expectations of impairment for other financial instruments excluding loans to subsidiaries for which measurement is outlined in Note 3. Under the simplified approach the Company is always required to measure lifetime expected losses. The Board incorporates forward looking information when estimating the appropriate amount of any provision.

Given the nature of the Company's receivables and counterparties the probability of credit loss is immeasurably small and therefore any ECL arising is concluded to be immaterial.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 has replaced IAS 11 Construction Contracts and IAS 18 Revenue.

The standard applies to revenue from contracts with customers as defined, and scopes out rental receipts that arise from lease contracts.

The Board is satisfied the standard has no material impact on the financial statements as rental income is outside the scope of the standard and the Company's only revenue is currently generated from rental income from leases and dividends from subsidiaries that do not contain any service components.

• Standards in issue but not yet effective

The following new standard, which is not yet effective and has not been early adopted in this financial information will or may have an effect on the Company's future financial statements:

- IFRS 16 Leases: introduction of a single, on-balance sheet accounting model for leases which refers primarily to accounting for lessees (effective for annual periods beginning on or after 1 January 2019).

The Company holds long leasehold interests in certain of its investment property portfolio. On all such properties owned by the Company the headlease rents are peppercorn and as such there are no material lease liabilities to recognise on balance sheet. No changes have been identified in respect of the leases where the Company acts as lessee.

The Company leases its investment property to tenants on long term occupational leases that are classified as operating leases. No

changes have been identified in respect of the leases where the Company acts as lessor.

The Board has given due consideration to the impact on the consolidated financial statements of the standard listed above and at present they do not anticipate that the adoption of these standards and interpretations will have a material impact on the consolidated financial statements in the period of initial application, other than on presentation and disclosure.

2. Significant accounting judgments, estimate and assumptions

In the application of the Company's accounting policies, which are described in Note 3, the Board is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Estimates:

- **Valuation of investment property**

The Company's estimates in relation to its investment property are consistent with the Group for which details are given in the Note 3 to the consolidated financial statements.

Judgments:

- **Classification of lease arrangements - the Company as lessor**

The Company's judgments in relation to its classification of lease arrangements are consistent with the Group for which details are given in the Note 3 to the consolidated financial statements.

3. Principal accounting policies

The principal accounting policies adopted in the preparation of the Company financial statements are consistent with the Group which are described in Note 3 to the consolidated financial statements. Policies adopted in the preparation of the Company's financial statements that not included in the consolidated financial statements are given below:

- **Investment in subsidiaries**

Investment in subsidiaries is included in the statement of financial position at cost less provision for impairment.

- **Loans to subsidiaries**

Impairment provisions for receivables from and loans to subsidiaries are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

4. Investment in subsidiaries

	31 March 2019 £000	31 March 2018 £000
At beginning of the period	183,885	-
Additions	200,718	183,885
At end of the period	384,603	183,885

A list of the Company's subsidiary undertakings is included in Note 21 to the consolidated financial statements.

5. Investment property

	Investment property freehold £000
Year ended 31 March 2019	
Balance at 1 April 2018	6,500
Property acquisitions	4,006
Tenant lease incentives	36
Property disposals	(6,700)
Change in fair value	298
Balance at 31 March 2019	4,140
Period from 21 December 2016 to 31 March 2018	
Balance at 21 December 2016	-
Property acquisitions	5,844
Tenant lease incentives	39
Change in fair value	617
Balance at 31 March 2018	6,500

Detailed information about the valuation of investment property is included in Note 9 to the consolidated financial statements.

6. Trade and other receivables

	31 March 2019 £000	31 March 2018 £000
Amounts due from subsidiaries	6,221	10,221
Recoverable VAT	181	103
Rent receivable	68	75
Prepayments and other receivables	92	39
	6,562	10,438

All amounts are due for receipt within one year.

7. Cash and cash equivalents

	31 March 2019 £000	31 March 2018 £000
Cash at bank	25	617
Cash held by lawyers	32	40
	57	657

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.

8. Trade and other payables

	31 March 2019 £000	31 March 2018 £000
Amounts due to subsidiary undertakings	33,263	6,739
Trade and other payables	24	421
Accruals	427	196
Other creditors	18	118
Deferred rental income	52	92
	33,784	7,566

All amounts are due for payment within one year.

9. Dividends

	31 March 2019 £000	31 March 2018 £000
Dividends paid	14,196	3,938

Detailed information about the dividends paid by the Company is included in Note 17 to the consolidated financial statements.

10. Share capital

	31 March 2019 £000	31 March 2018 £000
Share capital	3,523	1,969

Detailed information about the share capital of the Company is included in Note 15 to the consolidated financial statements.

11. Share premium reserve

	31 March 2019 £000	31 March 2018 £000
Share premium	229,270	58,979

Detailed information about the share premium of the Company is included in Note 16 to the consolidated financial statements.

12. Net asset value per share

Net Asset Value ("NAV") per share is calculated by dividing net assets in the company statement of financial position attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding at the end of the period. There are no dilutive equity instruments outstanding.

	31 March 2019 £000	31 March 2018 £000
NAV	361,578	193,914
Number of ordinary shares	352,314,872	196,881,707
NAV per share (pence)	102.63	98.49

13. Related party transactions

The Company has taken advantage of the exemption not to disclose transactions with other members of the Group as the Company financial statements are presented together with the consolidated financial statements.

Note 20 to the consolidated financial statements includes details of other related party transactions undertaken by the Company and its subsidiaries.

14. Guarantees

The Company has given a full guarantee of the Group's loan facilities to the lender.

15. Ultimate controlling party

There is no ultimate controlling party of the Company.

NOTES TO THE EPRA AND ALTERNATIVE PERFORMANCE MEASURES

EPRA NNAV

	31 March 2019 £000	31 March 2018 £000
EPRA net asset value	403,746	211,981
Include:		
Fair value of debt ¹	1,247	942
EPRA NNAV	404,993	212,923
Shares in issue	352,314,872	196,881,707
EPRA NNAV per share (pence)	114.95	108.15

EPRA NIY and EPRA 'Topped Up' NIY

	31 March 2019 £000	31 March 2018 £000
Investment property - wholly owned	589,500	278,920
Less: development properties	(88,380)	(50,200)
Completed property portfolio	501,120	228,720
Allowance for estimated purchasers' costs	33,465	14,601
Gross up completed property portfolio valuation (B)	534,585	243,321
Annualised passing rental income	32,198	15,942
Less: contracted rental income in respect of development properties	(4,745)	(2,640)
Property outgoings	-	-
Annualised net rents (A)	27,453	13,302
Contractual increases for lease incentives ²	4,686	5,369
Topped up annualised net rents (C)	32,139	18,671
EPRA NIY (A/B)	5.14%	5.47%
EPRA Topped Up NIY (C/B)	6.01%	7.67%

EPRA Vacancy Rate

	31 March 2019 £000	31 March 2018 £000
Annualised estimated rental value of vacant premises	-	-
Portfolio estimated rental value ³	26,596	12,753
EPRA Vacancy Rate	0.00%	0.00%

EPRA Cost Ratio

	Year ended 31 March 2019 £000	Period from 21 December 2016 to 31 March 2018 £000
Property operating costs	-	-
Vacant property costs	-	-
Administration expenses	3,530	2,412

Total costs (both including and excluding vacant property costs⁴)	3,530	2,412
Total gross rental	21,567	9,339
Total EPRA cost ratio (including and excluding vacant property costs)	16.37%	25.83%

Total NAV return

	Year ended 31 March 2019	Period from 21 December 2016 to 31 March 2018
	pence	pence
ERPA NAV per share at beginning of the period	107.67	98.00
EPRA NAV per share at end of the period	114.60	107.67
Change in EPRA NAV per share in the period	6.93	9.67
Dividend per share paid in the period	6.125	2.00
Total of change in EPRA NAV and dividend per share	13.055	11.67
Total NAV return	12.13%	11.91%

1 Difference between interest bearing loans included in the EPRA net assets at amortised cost, and the fair value of interest bearing loans

2 E.g. Step rents and expiry of rent free periods

3 Excludes contracted rents receivable on development properties

4 The Group has no vacant property costs

Financial information

This announcement does not constitute the Group or Company's statutory accounts. The financial information for the year ended 31 March 2019 is derived from the statutory accounts for the same year, which will be delivered to the registrar of companies. The auditors have reported on the year ended 31 March 2019; their report was unqualified and did not include a statement under Section 498(2) or (3) of the Companies Act 2006.

Annual General Meeting

The Annual General Meeting will be held on 26 June 2019 at 11.00 am at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH.

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