



RNS

Final Results

## Annual results for the year ended 31 March 2021

### LXI REIT PLC

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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", the "Group" or "LXi REIT")

#### ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

##### Financial highlights

Alternative performance measures	31 March 2021	31 March 2020	Change (like for like)
EPRA NTA	<b>125.7p</b>	124.3p	+1.1%
Total NAV return	<b>5.6%</b>	13.4%	
Total shareholder return	<b>21.7%</b>	(6.2)%	
Portfolio valuation <sup>1</sup>	<b>£938.4m</b>	£914.0m	+0.2%
Loan to value	<b>23%</b>	20%	
Adjusted EPS	<b>7.5p</b>	6.3p	+18.3%
Dividend per share	<b>5.55p</b>	5.75p	-3.5%
Total expense ratio	<b>0.9%</b>	1.1%	-20bps
IFRS performance measures	31 March 2021	31 March 2020	Change
Rental income	<b>£42.8m</b>	£38.5m	+11.2%
Operating profit before fair value changes <sup>2</sup>	<b>£36.9m</b>	£31.9m	+15.7%
EPS	<b>7.6p</b>	15.2p	-50.0%
Total assets	<b>£990.1m</b>	£833.7m	+18.8%
Net assets	<b>£781.4m</b>	£648.0m	+20.6%
NAV per share	<b>125.7p</b>	124.3p	+1.1%

- EPRA net tangible assets ("NTA") and net asset value ("NAV") per share under IFRS of 125.7p (up 1.1% on prior year), with growth predominantly driven by disposals ahead of book value and the like for like portfolio growth in the year
- Total NAV return was 5.6% comprising NAV growth and dividends paid during the year. Average annual total NAV return is 10.1% pa in the four years since IPO, well ahead of our 8+% medium term target<sup>3</sup>
- Portfolio independently valued at £938.4m. The growth in portfolio value demonstrates the defensive benefits of diversification, with individual sub sectors experiencing a range of performance:
  - Foodstores and essentials showed positive like for like change of +10.0% during the year
  - Industrial assets showed positive like for like change of +11.0% during the year

- Hotels showed negative like for like change of -12.4% during the year
- Healthcare showed a positive like for like change of +6.3% during the year
- Car parks (down 5.7%), Pubs (down 17.7%), Drive-thru coffee (up 0.9%)
- Loan to value ("**LTV**") ratio of 23% with significant headroom to our medium-term borrowing policy cap of 35% and banking covenant of 50%. Following the extension and full deployment of the RCF the LTV is expected to return to 30%
- The dividends paid and proposed in respect of the year total 5.55p per share (31 March 2020: 5.75p) reflecting a 3.5% reduction on the previous annual rate, as a result of the impact of Covid-19 on the Group's income
- Dividends were fully covered by the Group's Adjusted EPS of 7.5p (31 March 2020: 6.3p) and Adjusted cash EPS for the year of 5.5p (31 March 2020: 5.2p)
- Gross equity proceeds raised of £125m via an oversubscribed equity raise. The proceeds of the raise have been deployed into a pre-identified pipeline of accretive assets that will further strengthen the Group's portfolio

### Operating highlights

	Reporting date <sup>4</sup>	31 March 2021	31 March 2020
Average NIY on acquisitions to date	5.7%	5.7%	5.8%
Average geared IRR on disposals to date	23% pa	23% pa	34% pa
Rents containing index-linked/fixed uplifts	95%	96%	96%
Rents containing minimum uplifts	67%	68%	61%
Average minimum uplift	2% pa	2% pa	2% pa
WAULT to first break	22-years	21-years	22-years
EPC A or B on forward fundings	98%	98%	100%
Triple-net leases	100%	100%	100%
Portfolio let or pre-let	100%	100%	100%
Property sectors	8	8	9
Separate tenants	>50	>50	>50

- Average net initial yield ("**NIY**") on acquisitions to date of 5.7% net of purchase costs (31 March 2020: 5.8%) with significant compression to valuation at 31 March 2021, reflecting a 4.9% NIY (31 March 2020: 5.0%)
- 18 assets acquired during the year at an average NIY of 5.6%, the vast majority in the foodstores and essentials sector
- Disposals to date generated a weighted average geared internal rate of return ("**IRR**") of 23% pa (31 March 2020: 34% pa), well ahead of our 8+% medium term target<sup>3</sup>
- Four separate disposals during the year, including two portfolio sales, generating an average geared IRR on disposal of 14% pa
- 95% of contracted rents contain upward only index-linked rent reviews or fixed uplifts (31 March 2020: 96%)
- 67% of contracted rent reviews contain either a collared or fixed uplift (31 March 2020: 61%), averaging 2% pa (31 March 2020: 2% pa), an effective income growth hedge in a lower inflationary environment
- Portfolio weighted average unexpired lease term ("**WAULT**") of 22-years (31 March 2020: 22-years) to first break
- Of the assets that the Group has forward funded to date, 98% have achieved an EPC rating of A or B (31 March 2020: 100%)
- Portfolio 100% let, or pre-let on full repairing and insuring ("**FRI**") leases (31 March 2020: 100%) avoiding exposure to void periods, cost leakage and capex requirements
- Portfolio diversified across eight property sectors and over 50 separate tenants (31 March 2020: nine sectors, over 50 tenants)

### Post year end highlights

#### Dividends

- The Board announced a target annual dividend of 6.0p per share for the financial year commenced 1 April 2021, to be paid in four equal quarterly instalments<sup>3</sup> and represents a 4.3% increase on the Company's pre-Covid-19 dividend rate of 5.75 pence per share, well ahead of inflation for the period
- The Board proposed and approved a dividend of 1.46p per share for the quarter ended 31 March 2021

#### Acquisitions

- Since the year end, the Group has acquired 18 assets fully deploying the net equity proceeds raised during the year at an average NIY of 5.3% including foodstores and essentials, industrial, garden centre and drive-thru coffee assets
- Further details of the acquisitions and disposals during and since the year end are included in the Investment Advisor's report

#### Debt extension

- The Company has received credit approval from a new lender and Lloyds Bank plc (the existing lender) to increase the existing RCF by an additional £65m, along with an uncommitted £65m accordion on the same terms as the existing facility agreement. The new lender will enter into the existing facility agreement alongside Lloyds Bank plc, subject to completion of satisfactory due diligence which is expected to be finalised in the coming days

#### Stephen Hubbard, Chairman of LXI REIT plc, commented:

*"Against the backdrop of the Covid-19 pandemic, the defensive characteristics of our highly diversified portfolio and exposures to essential sub-sectors with structural support, have allowed us to continue to deliver attractive income returns and growth, in a period of major uncertainty. The Company continued to pay fully covered quarterly dividends that totalled 5.55p per share and*

delivered a total NAV return of 5.6%.

Having collected virtually all of the rents due since the first half of the year, I was pleased to announce annual dividend guidance of 6p per share for the financial year that commenced on 1 April 2021, representing 4.3% growth on the Company's pre-Covid-19 dividend level, well ahead of inflation.

We were delighted by the success of our £125 million equity raise in March 2021 and we thank existing shareholders for their continuing support and also welcome a range of new investors to the Company.

The proceeds of this fundraise have allowed us to capitalise in short order on a pre-identified pipeline of assets diversified across a range of defensive and structurally supported sub-sectors and let to high-quality tenant covenants. The majority of these deals completed after the year end and provide the potential for accretive value growth, especially in the forward fundings, whilst further strengthening our portfolio."

**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 long (typically 20 to 30 years to expiry or first break), inflation-linked leases to a wide range of strong tenant covenants across a diverse range of robust property sectors.

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

The Company is targeting a dividend of 6 pence per ordinary share for the year which commenced on 1 April 2021<sup>3</sup>.

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

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

Further information on the Company is available at [www.lxireit.com](http://www.lxireit.com)

**Company presentation for investors and analysts**

A Company presentation for investors and analysts will take place today, 19 May 2021, via a live webcast and conference call at 10.30am BST.

For those who wish to access the live webcast, please register here:

<https://www.investis-live.com/lxireit/6095688133d2290a00348fef/etha>

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

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

**Annual Report and Accounts**

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 14 July 2021. The Annual Report and Accounts will also be made available on the Company's website at [www.lxireit.com](http://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 <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

**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 25 and 26 and in the Additional Information of the Company's Annual Report.

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 section of the Company's Annual Report.

1 Includes forward funding commitments

2 Operating profit before change in fair value and gain on disposal of investment property

3 These are guidance levels or targets only and not a profit forecast and there can be no assurance that they will be met

4 The Company has presented operating highlights as at the reporting date (18 May 2021) due to the level of post balance sheet portfolio activity

## **CHAIRMAN'S STATEMENT**

Dear shareholder

This Annual Report covers an unprecedented year that followed the outbreak of the Covid-19 global pandemic in early 2020. The immense tragedy and loss suffered since then is felt across society, and we will continue to see the longer-term economic impact for some time. I would like to thank all of our colleagues and business partners for their collective response and the work that they have done this year. This has enabled us to protect and enhance the value of the Company for our fellow shareholders in these difficult times.

The Group has delivered strong and resilient financial performance in the year against the backdrop of the pandemic. Our diversification and exposure to market leading operators in largely essential and non-discretionary sectors (foodstores, industrial and healthcare), has allowed us to continue to produce attractive income and capital returns.

As vaccine programmes are rolled out and we begin a measured withdrawal of lockdown measures, optimism is growing in the UK. Other parts of the world continue to battle with the virus, and we remain cognisant of the threat posed by further waves and new variants of Covid-19. We continue to act prudently to implement our defensive strategy as well as adhere the many lessons learnt from the pandemic.

### **Results and dividends**

The portfolio delivered like for like growth of 0.2% over the year and was valued at £938.4m reflecting a valuation net initial yield of 4.9%. This demonstrates the resilient outperformance of long-let and index-linked property, where the property investment market has continued to trade at previous levels, protecting the valuation of our portfolio.

This performance was the net result of positive growth in our key sector exposures, with good performance from industrial, foodstore and essentials and healthcare assets. That growth was offset by those sector exposures, in particular our hotels and pubs, where trading suffered as a result of the crisis.

The Group's EPRA NTA at 31 March 2021 was 125.7p, reflecting growth of 1.1%, contributing to a total NAV return of 5.6%, when coupled with dividends paid. This result demonstrates the resilience of the portfolio in a period of significant upheaval.

In respect of the year, the Company has paid and proposed dividends totalling 5.55p per share, paying a quarterly dividend throughout the year and reflecting only a 3.5% reduction on the total prior year dividend.

The vast majority of our tenants continued to pay rent throughout the year despite the pause on landlord forfeiture rights. However, the Group's portfolio was not immune to the fall in rent collection levels seen across UK commercial property. In particular, this was felt in the first quarter and in respect of our exposure to hotels and pubs.

Our management team provided flexible solutions for those tenants experiencing significant challenges. We worked alongside them to arrange either short-term reprofiling, or longer-term deferrals and concessions where it was considered appropriate to do so.

The Group's rent collection in respect of the four quarters covered by this report now averages 93%, inclusive of reprofiled rent payments. In response to the lower level of income and to protect liquidity, we made the decision to prudently reduce the dividend rate to target a fully covered dividend. Improving rent collection from September onwards (98%) allowed the Company to return to growth on the pre-Covid-19 dividend level in the third quarter.

The Company has now reinstated annual dividend guidance at a rate of 6.0p per share, for the financial year that commenced 1 April 2021. This reflects 4.3% growth on the pre-Covid-19 dividend level, well ahead of inflation.

### **Share performance and issue**

At the beginning of the year, along with the rest of the market, there was volatility in our share price in response to the pandemic. The Group's shares recovered well and delivered a total shareholder return of 21.7% for the year to 31 March 2021.

In addition, improving investor sentiment towards the end of 2020 returned the Company's shares to a premium to its net asset value. We were delighted that existing and new shareholders supported the Company to raise £125m of gross equity capital in March 2021 via an oversubscribed capital raise.

The proceeds have since been fully deployed into attractive opportunities that will further diversify the portfolio and increase exposure to non-discretionary uses, structurally supported sectors and market leading tenant operators with strong covenants.

### **Climate-risk strategy**

As climate change moves swiftly up the world agenda, the Board has recognised both the risk and the opportunities that this presents. We are currently carefully considering our strategy in this area with appropriate goals providing a route map towards carbon neutrality. Later in this report, the Group's Climate-risk strategy is outlined together with the 11 recommended TCFD disclosures. The Board has agreed clear targets and March 2022 initiatives to deliver this ambition.

To help with this process, we have set up a Climate-risk working group. It is also noted that the Audit Committee added three Climate-related risks as a principal risk to the Company's risk register in the year.

We are pleased to note that 83% of our portfolio has an EPC rating of A to C, and that 98% of the assets that we have forward funded and 100% of the assets that we have forward purchased have an EPC rating of A or B. This is another benefit of our strategy of forward funding the development of pre-let state of the art assets with green credentials.

## **Outlook**

At the time of writing this report, the outlook for the UK economy is looking increasingly positive with the success of the vaccine roll out, and as a result the Bank of England has upgraded its growth forecasts for the rest of 2021. The economic conditions will undoubtedly assist our tenant stakeholders, particularly the hotel and pub operators, and I am hopeful that those assets within the portfolio will return to provide the historic returns we have enjoyed in the past. We expect the earliest recovery to be seen in the values of those assets that possess the defensive and green characteristics of long lease terms with indexation, strong tenant operators and better energy efficiency.

The Investment Advisor has done a great job in navigating us through these challenging times. The successful equity raise in March 2021 is now fully deployed in an accretive portfolio of assets that has enabled us to further enhance the balance of our portfolio toward the foodstores and essentials and industrial sectors where we see increasingly positive long-term performance. The Investment Advisor's skill in securing attractive forward funding and off market built asset opportunities also bodes well for the ongoing performance of the portfolio.

As we look towards more positive times, I would like to thank both the Board and the Investment Advisor for the significant support they have provided over the last 14-months, which has enabled us to manage the very challenging economic and trading conditions that we have experienced. Going forward we remain very focused on managing both the risks and opportunities that the pandemic has created.

## **Stephen Hubbard**

Chairman  
18 May 2021

## **INVESTMENT ADVISOR'S REPORT**

This report covers the financial year from 1 April 2020 to 31 March 2021. Certain statistics and KPIs relating to the Group's portfolio include post balance sheet activity where indicated.

The pandemic brought uncertainty to many areas of economic and social life during the year, but the Group's portfolio was well-positioned at the onset of the pandemic. The growth in our portfolio value and our continued regular dividends throughout the year demonstrate the resilience of our defensive strategy and the quality of our assets.

The outlook has improved significantly in the second half of the year as viable vaccines were announced, and the roll out began in the UK. Our rent collection also trended positively back up to 98% or more for the September and December 2020 and the March 2021 quarter dates, and we were able to increase our quarterly dividend well above the pre-Covid-19 level.

We are pleased that the Group reinstated annual dividend guidance at 6p per share, for the year that commenced on 1 April 2021. The rate reflects growth on the pre-Covid-19 dividend level of 4.3%, well ahead of inflation over the same period.

We were delighted to raise £125m of gross equity proceeds towards the end of the Group's financial year. The take up of our open offer reflected the support of our existing shareholders and we also welcomed a number of new investors in the placing who were no doubt attracted to the resilient performance of the Group during the pandemic.

The proceeds have been deployed into a pre-identified pipeline of assets that will further strengthen the Group's portfolio. The new assets provide an attractive entry price and further exposure to sectors that have outperformed during the pandemic and have longer-term structural support.

### **Portfolio overview**

The Group's portfolio, including post balance sheet acquisitions and disposals, comprises 146 properties across eight sectors and multiple underlying uses, let to over 50 separate tenants.

The Group's lease arrangements provide contracted rent of £56.1m and average over 22-years to first break, with 95% containing index-linked or fixed rental uplifts.

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

The Group's property portfolio was valued at 31 March 2021 at £938.4m, representing like for like growth of 0.2% over the year. The valuation reflects a blended net initial yield of 4.9% (31 March 2020: 5.0%) and a liquid average valuation of £7.3m across the individual assets.

### **Sector exposures**

All of the Group's assets are let on long-term lease arrangements and the assets are well-diversified by sub-sector. The Group implements a multi-sector strategy both to give downside protection and to offer a broader universe of assets in which to deploy capital. This provides flexibility to adapt our portfolio to external factors such as changing consumer behaviour, and to pivot

towards sectors where we see the best value.

The Group's sector weightings, including post balance sheet acquisitions and disposals, are as follows:

#### *Foodstores and essentials - 27%*

During the year grocery and other essential stores saw a like for like uplift of 10.0%. The performance was driven by the enhanced attraction, both from an operational and investment perspective, of this sector which provides its customers with a non-discretionary offering, thereby remaining open throughout the national lockdowns.

We also see a longer-term positive outlook for our asset's operational performance. It is anticipated that local convenience store spend will benefit from people continuing to work from home more often than before the pandemic, even as lockdown measures are removed.

We have continued to increase our exposure to the foodstores and essentials sector in deploying the proceeds of the new equity raise. Our focus on this sector reflects our belief in the positive structural support particularly in those areas that continue to gain market share of local convenience stores and discounters.

The sector performance in the past year has partly been driven by the weight of capital seeking exposure to the sector, the strength and quality of the key operators, as well as its essential retailer status during the lockdowns.

Despite this, we have continued to find attractive entry pricing in off market deals and the discount achieved through forward funding in smaller lot sizes where pricing has not sharpened.

The average net initial yield on acquisitions of foodstores and essentials to date is 5.6%, compared with the 4.9% net initial yield of the portfolio valuation. Accessing the sector through forward fundings has also enabled us to maintain a rack rented portfolio of brand new state of the art assets with our average rent in the sector £14.58 per square foot.

#### *Industrial - 21%*

The increased reliance by operators on the industrial asset class for trade has driven up demand for property in strong logistics locations. This has continued to positively benefit the values of our industrial portfolio with a like for like uplift of 11.0% year on year.

Industrial assets were also largely unimpacted by the Government measures during the year, with many assets benefitting from the increase in interest in the sector from both investors and occupiers. This demand has continued to harden yields in this space.

The performance of our industrial assets has been enhanced by the strategic importance of the properties to our operators, in particular due to their attractive locations with good connectivity and drive time penetration. Our forward funding strategy has allowed us to create a modern portfolio of state of the art industrial assets with low rents averaging £8.93 per square foot.

#### *Hotels - 18%*

The majority of the Group's hotels closed during the first national lockdown and the sector experienced among the worst operational impact of our asset classes. A lack of transactions coupled with lower rent collection across the sector, pushed out yields and has driven a 12.4% like for like fall in value of our hotel portfolio.

Budget hotels were the least impacted sub-sector of the hotel market and both Premier Inn and Travelodge continued to generate occupancy throughout the UK's second and third lockdowns from essential, non-leisure use.

UK hotel operators are anticipating a strong bounce-back in 2021, with staycation demand driving performance. Both Travelodge and Premier Inn outperformed the market in the third quarter of 2020 when leisure use was permitted, and we expect them to continue to gain market share.

The sector continues to show positive longer-term fundamentals, with both Premier Inn and Travelodge expanding to capitalise on excess consumer demand. Although we have sought to dilute our exposure further to the sector, we expect that yields will tighten in the near future as the economy reopens which will drive further value growth for the Group.

#### *Healthcare - 11%*

Our healthcare assets have performed strongly during the year with like for like growth of 6.3% generated in the sector.

Care homes have benefited from continuing to operate throughout lock-down measures as well as high quality tenants in this sector and the longer-term structural support. This sector continued to experience positive investor sentiment throughout the year and has been amongst those sectors that has attracted the most unsolicited interest in our assets.

#### *Car parks - 6%*

This was another sector that saw an operational slowdown, as essential travel only was allowed, impacting car park usage in the UK. This has driven the 5.7% like for like negative growth in the sector. Our only tenant in the car park space is Q-Park, which remains a strong covenant; a market leading operator with significant liquidity and that has paid all of the rent due in the year.

#### *Drive-thru coffee - 5%*

Drive-thru coffee assets delivered 0.9% like for like growth in the year. The growth was partly due to the nature of the operation of these assets allowing them to remain open throughout national lockdowns.

Even as lockdown measures ease, these assets remain particularly attractive to occupiers and investors as they benefit from prominent locations with good visibility and footfall in the car parks of Morrisons stores that trade well.

This sub-sector also benefits from very strong operators in Starbucks and Costa, both of whom are seeking to increase their drive-thru offering throughout the UK to meet rising consumer demand.

#### *Pubs - 5%*



This was the sector that experienced the worst operational impact, as pubs have been closed in the UK for significant time periods since March 2020. This has driven the 17.7% like for like fall in value of our pub portfolio. Our only tenant in the pub space is Greene King, which also remains a strong covenant and a market leading operator with significant liquidity. Greene King has paid all of the rent due in the year.

Our pubs are fully let on fixed rent FRI leases to Greene King with a top-co guarantee and annual uplifts of 2.5%. Lockdown measures in the UK have created pent up demand for pubs and we expect operations to return strongly during the summer as lockdown measures ease. The defensive characteristics of our pub portfolio and the strength and quality of our tenant operator provide a good platform to support the current valuation discount unwinding in the near term.

#### **Disposals and acquisitions**

The Group regularly recycles capital to refresh the portfolio and manage portfolio exposures. During the year and since the balance sheet date, the Group completed a total of 27 asset disposals generating an average geared IRR on disposal of 14% pa (compared with our 8% pa minimum total return target) and crystallising a significant uplift on purchase price. The assets sold were:

- a car storage facility let to BCA in Corby for £68m, crystallising a 14% geared IRR and realised gain on disposal of £5.0m;
- the Company's only office asset in Cambuslang, Glasgow, occupied by the local council for proceeds of £8m, generating a geared IRR of over 16% and realised gain on disposal of £0.8m; and
- two assisted living portfolios consisting of 25 assets for a combined sum of £20.4m, generating an overall geared IRR of 13% and realised gain on disposal £2.5m.

The Group completed or exchanged contracts to acquire 36 separate assets, a mix of forward fundings and built asset purchases, to deploy both new and recycled capital. The assets acquired during and since the year end, were:

- a portfolio of seven Co-op foodstores in Blackpool, Glasgow, Pontypridd, Sandbach, Southport, Wallasey and Wrexham. Each property has an unexpired lease term of over 16 years to first break with annual rental uplifts of 2.25% per annum
- an Asda foodstore in Clydebank, Glasgow with a 23-year unexpired lease term and five yearly RPI linked uplifts
- a Sainsbury's foodstore in Llangollen, Wales with a 20-year unexpired lease term with five yearly RPI uplifts
- a Waitrose foodstore in Poynton, Cheshire with a 15-year unexpired lease term and five yearly fixed uplifts of 2.5% per annum compounded
- a pre-let forward funding of an Aldi-anchored scheme in Berwick-upon-Tweed, Northumberland with an unexpired 20-year lease from build completion and five yearly RPI linked uplifts
- a pre-let forward funding of a Lidl foodstore in West Bridgford, Nottinghamshire with a 25-year lease from build completion and five yearly RPI linked uplifts
- a pre-let forward funding of a Lidl foodstore in East Ham, Greater London with a 25-year lease from build completion and five yearly RPI linked uplifts
- a site with two discount stores, the Range and B&M in Bradford, Yorkshire with 19-year unexpired lease terms and annual fixed uplifts of 2.5%
- a pre-let forward funding of a Premier Inn in Porthmadog, Wales with a 25-year lease from build completion and five yearly CPI linked uplifts
- a Lidl foodstore in Portsmouth, Hampshire with a 22-year unexpired lease term and five yearly fixed uplifts of 2% per annum compounded
- a portfolio of two Co-op foodstores in Swindon and Bicester with 17-year unexpired lease terms and five yearly RPI linked uplifts
- an Aldi foodstore in Lytham St Annes with an 18-year unexpired lease term with five yearly fixed uplifts of 2.5% per annum compounded
- a pre-let forward funding of a Co-op foodstore and petrol filling station in Ellistown with a 20-year lease from build completion and five yearly CPI linked uplifts
- a pre-let forward funding of a Aldi in Glasgow with a 16-year lease from build completion and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)
- a Dobbies garden centre in Gloucester with a 35-year unexpired lease term and annual RPI linked uplifts
- a Cazoo industrial asset in Doncaster with a 19.5-year unexpired lease term and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)
- a pre-let forward funding of a portfolio of 11 Costa drive-thru assets diversified across the UK with a 15-unexpired lease term and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)
- a substantial industrial facility in the Midlands with a 25-year unexpired lease term and five yearly RPI linked uplifts
- a Tesco foodstore in Welling, Greater London with a 15-year unexpired lease term and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)

#### **Asset management**

During the year, the Group executed an accretive lease re-gear of the BCA car storage facility in Corby, which represented one of the largest assets in the portfolio. The car storage facility was subsequently sold in the year.

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

In July 2020, the Investment Advisor negotiated an extension to the lease term to 25-years, with no tenant break right. The rent review was also converted from uncapped RPI with no collar, to RPI, capped at 2.5% pa and collared at 1.5% pa, providing a valuable minimum rental uplift in a low inflationary environment.

The restructure of the lease brought the terms within the core institutional requirements and attracted a significant level of institutional interest, following which the property was sold. The details of the disposal are included above.

#### **Inflation and rent reviews**

Reduced consumer spending led inflation to drop away during the periods of lock down. During the year, CPI annual growth averaged 0.6% pa and RPI averaged 1.2% pa. The Group's 72 contracted rental uplifts in the year however, reflected average growth of 2.1% pa.

This level of rental growth was achieved through the majority of the Group's leases containing minimum contractual uplifts or fixed uplifts of 2% pa, providing further certainty to income growth. This allows the Group's rental growth to outperform more significantly even in times where inflation is more pedestrian.

#### **Tenant support and rent collection**

Throughout the year, no support or concessions were requested by the vast majority of the Group's tenants, who continued to pay rents as they fell due. As at the year end the Group had, £7.1m of rental debtors which have been, or are expecting to be, realised as follows:

- £4.4m has been settled as at the date of this report
- £0.6m is due in respect of post balance sheet periods and will be recovered monthly in line with the terms of the lease arrangement
- £0.8m was subject to accretive asset management initiatives that completed after the year end
- £1.3m remains outstanding under deferral arrangements with the vast majority due before the end of the current financial year

#### *Travelodge CVA*

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

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

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

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

The Group has since restructured both of its Category C1 leases, extending the lease terms significantly and reducing the rent to a materially more profitable level for Travelodge. As part of these restructures the Group triggered the lease extensions on its Category B assets and agreed a material improvement on the rent collected during the year.

All leases resume 100% rental payment by the end of 2021.

#### **Financial results**

The portfolio has produced strong financial results over the four years since IPO, and the Group has consistently outperformed our targets. The Group's performance over the last 12 months has been impacted by Covid-19, but our performance has remained robust, both in absolute terms and relative to most of our peers.

#### *Total NAV return*

	31 Mar 2021	31 Mar 2020
<b>Total NAV return</b>	<b>5.6%</b>	13.4%

The Group's total NAV return comprises income, through dividends paid to shareholders, and capital returns, through changes in EPRA NTA during the year. A summary of the dividends paid and EPRA NTA growth is given below.

The Group provided a 5.6% total NAV return, against the backdrop of unprecedented disruption as a result of the onset of Covid-19, reflecting strong outperformance.

#### *EPRA NTA*

	31 Mar 2021	31 Mar 2020
<b>EPRA NTA per share</b>	<b>125.7p</b>	124.3p

During the year, the Group's EPRA NTA per share increased by 1.1%, reflecting the slight like for like uplift in the portfolio and the value achieved through forward funding, buying assets 'off market' and accretive recycling and deployment of new equity capital.

The level of the growth reflects both the defensive aspects of our high-quality portfolio and the outperformance of many of our sub-sectors, as well as our ability to generate returns through asset management initiatives and disposals ahead of book value and to deploy efficiently at attractive pricing.

#### *Dividend per share*

	31 Mar	31 Mar
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	2021	2020
<b>Dividend per share</b>	<b>5.55p</b>	5.75p

In respect of the year, the Company has paid and proposed dividends totalling 5.55p per share. The dividend per share reflects a reduction of 3.5% on the previous year, reflecting the impact of Covid-19 on the Group's rent collection on the first two dividends of the year.

Our quarterly dividend levels in the midst of the pandemic have been prudent, and as a result our dividends have been 1.0x covered by Adjusted cash EPS of 5.5p.

#### Total expense ratio

	31 Mar 2021	31 Mar 2020
<b>Total expense ratio</b>	<b>0.9%</b>	1.1%

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

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

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

#### Debt metrics

	31 Mar 2021	31 Mar 2020
<b>Pro-forma LTV</b>	<b>23%</b>	30%

The Group's debt pool comprises three separate long-term loans and an RCF.

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

Facility	Lender	Size	Interest rate	Expiry
Term loan	Scottish Widows	£55m	2.74% fixed	Dec 2033
Term loan	Scottish Widows	£40m	2.74% fixed	Dec 2033
Term loan	Scottish Widows	£75m	2.99% fixed	Dec 2033
RCF	Lloyds Bank	£100m	1.55% margin	Aug 2024 <sup>1</sup>
<i>Credit approved facilities</i>				
RCF extension	New lender	£65m	1.55% margin	Aug 2024 <sup>1</sup>
RCF accordion (uncommitted)	New lender	£65m	1.55% margin	Aug 2024 <sup>1</sup>

The three term loan facilities were strategically chosen because of their long-dated maturity, to take advantage of the very low interest rate environment. The term loans have a weighted average fixed interest cost of 2.85% pa and a maturity of 13-years.

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

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

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

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

The Group's weighted average cost of debt (based on rate fixing from 31 March 2021) is 2.4% on a fully drawn down basis.

After the year end, the Company received credit approval from a new lender and Lloyds Bank plc (the existing lender) to increase the existing RCF by an additional £65m, along with an uncommitted £65m accordion on the same terms as the existing facility agreement. The new lender will enter into the existing facility agreement alongside Lloyds Bank plc, subject to completion of satisfactory due diligence which is expected to be finalised in the coming days.

<sup>1</sup> Assumes extension options are exercised

#### Outlook

The first half of 2020 saw an unprecedented drop in global stock markets as an immediate reaction to the impact of Covid-19, but markets have since rallied, particularly on the back of the vaccine roll out in the UK.

The portfolio has demonstrated its ability to withstand periods of uncertainty through defensive positioning and it has performed

robustly, continuing to deliver growth and income to shareholders in the year.

The Group also has exposure to sectors that have been most impacted by Covid-19 in which sentiment has softened over the past 12 months. As we begin to emerge from the pandemic, the long-term structural support and the strength of our tenants in these sectors should begin to see an unwinding of the valuation losses and provide the Group with the potential for further value growth. The Group's high-quality portfolio continues to attract unsolicited interest in our assets and we will look to crystallise gains through disposals ahead of book value where opportunities exist to recycle capital into accretive acquisitions that defensively manage the Group's exposures.

We are pleased that the Group's dividend target was increased to 6p per share, for the year that commenced on 1 April 2021. The rate reflects growth on the pre-Covid-19 dividend level of 4.3%, well ahead of inflation over the same period.

UK inflation expectations continue to compare favourably to those for open market rental growth and forecasts are beginning to predict a period of higher medium-term inflation. The Group's portfolio continues to provide an attractive inflation hedge through embedded rental growth regardless of inflation performance with 95% of the portfolio containing indexed or fixed uplifts and 67% containing minimum uplift averaging 2% pa.

For and on behalf of the Investment Advisor

**Simon Lee**  
Director  
LXi REIT Advisors  
18 May 2021

**Frederick Brooks**  
Director  
LXi REIT Advisors  
18 May 2021

## **CLIMATE RISK STRATEGY REPORT**

The Board of Directors and Investment Advisor recognise the Company's responsibility to develop a sustainable investment model that delivers a net neutral or positive impact on the environment.

Our ambition is driven both by the belief that the Company has an obligation to contribute to a positive environment and the understanding that occupier and investor demand, and therefore the value of our portfolio, will be impacted by it.

### **Our climate risk strategy**

A **Climate risk working group ("CRWG")**, comprising members of both the Board of Directors and the Investment Advisor, has been created with the aim of developing a long-term model to identify and monitor the Group's climate-related risks and manage and improve its environmental impact.

The CRWG will have responsibility for:

- recommending longer-term goals for the Company to support us in meeting our overall ambition;
- recommending specific medium-term targets that will contribute toward the Company delivering on those longer-term goals and to measure its performance in doing so; and
- planning and implementing initiatives that will measure the short-term progress towards our medium-term targets and assigning responsibility for those initiatives.

### **Longer-term goals**

The CRWG has established the following longer-term goals for the Group:

- 1) To integrate climate-related matters into the Company's investment process
- 2) To develop a carbon neutral route map for both the Group and the Investment Advisor (which manages the operations of the Group)
- 3) To provide investors and our wider stakeholder group with relevant and comparable disclosure

### **Medium-term/36-month targets**

In order to manage the process of moving towards our longer-term goals the CRWG has proposed specific targets to be achieved over the medium-term, which the working group considers to be a maximum of a 36-month period ending 31 March 2024.

Many of these targets can and may be achieved sooner.

#### To integrate environmental matters into the Company's investment process

- To enhance the Company's existing ESG policy with a specific climate risk policy and to integrate and monitor climate-related requirements in the investment process to ensure that appropriate consideration is given to those matters during the due diligence phase
- To carefully evaluate the Group's existing portfolio by reviewing the EPC ratings and recommending an appropriate target throughout the portfolio. This may include, amongst other things:
  - instructing decarbonisation reports and analysis on the Group's lower performing assets (EPC rated D and lower), discussions with our occupiers regarding funding solutions and the execution of appropriate works to appropriately improve the energy performance of those assets
  - working with individual tenants to deliver mutually beneficial improvements to their respective properties
  - exploring other asset management initiatives to enhance our properties to meet the Group's minimum requirements

#### To develop a carbon neutral route map for both the Group and the Investment Advisor (which manages the operations of the

Group).

- Establish reporting boundaries (carbon emissions that are the responsibility of the Group and should be considered when establishing current emission levels), for example, landlord-controlled areas and the operations of the Company and Investment Advisor.

Reporting boundaries will exclude the emissions outside of the Group's control. This approach is specific to setting the Company's carbon neutral target. The Group's climate-risk strategy is not limited to these areas and other strategies of equal importance will be implemented to improve the energy efficiency of our assets and in doing so improve the environmental performance in areas where we do not have control over emissions.

The Group must then establish means of reducing these emissions to the greatest possible extent. In identifying and understanding the means of doing so, the Group will formally implement a science-based plan with a set time frame that can determine a genuine and achievable carbon neutral target year.

To provide investors and our wider stakeholder group with relevant and comparable disclosure

- The Group will focus on the 11 recommended disclosures of the Task Force on Climate-related Financial Disclosures ("TCFD"), the Global Real Estate Sustainability Benchmark ("GRESB") rating and EPRA sustainability Best Practice Reporting ("sBPR") measures.

**March 2022 initiatives**

Outlined below are our objectives for the next financial year to address specific action points on how these medium-term targets will be achieved:

Action	Responsibility	Timing
<u>General action</u>		
Include climate-related issues as a standing agenda point at quarterly Board meetings going forward	Board of Directors	May 2021
<u>To integrate environmental matters into the Company's investment process</u>		
Enhance the Group's existing ESG policy with a new climate-risk policy, recommend the adoption of the new policy by the Board and make the new policy available online	Environmental Impact working group	September 2021
Discuss with the Board and the Investment Advisor the integration of the new climate risk policy into the Company's investment process and the best mechanism to facilitate this	Environmental Impact working group	September 2021
Update the format of the Board summary reporting or add a new checklist approach on acquisitions to include climate-related matters. Specific updates to be aligned with the new climate risk policy	Investment Advisor - Joint Fund Managers	September 2021
Instruct external consultants to provide an updated EPC report for all assets that do not have an accurate and relevant EPC rating to improve reporting in this area	Investment Advisor - Asset Management Team	September 2021
Instruct external consultants to benchmark the Group's portfolio by geography and sector (as well as other related factors such as age), to determine the portfolio's relative energy efficiency	Investment Advisor - Finance team	March 2022
Instruct decarbonisation reports by external consultants on all assets with an EPC rating of D or lower	Investment Advisor - Asset Management Team	September 2021
<u>To develop a carbon neutral route map for both the Group and the Investment Advisor (which manages the operations of the Group)</u>		
Set reporting boundaries that will allow the CRWG to assess the current carbon footprint	Environmental Impact working group	September 2021
Appoint external consultants to assess the carbon footprint and form a carbon neutral plan	Investment Advisor - Operations team	September 2021
Report on the carbon footprint of the Group's current reporting boundaries	Investment Advisor - Finance team	March 2022 Annual Report

Move all energy provision in the landlord-controlled areas to companies that provide green tariffs (renewable energy sources)	Investment Advisor - Asset Management team	September 2021
<i>To provide investors and our wider stakeholder group with relevant and comparable disclosure</i>		
Report the 11 recommendations of the TCFD.	Investment Advisor - Finance team	Outlined below with full compliance from March 2022 Annual Report
Engage an external consultant to carry out the data collection and analysis for reporting EPRA sBPR measures	Investment Advisor - Finance team	September 2021
Report the measures using the data that we have collected from our tenants	Investment Advisor - Finance team	March 2022 Annual Report
Engage an external consultant to carry out the GRESB submission	Investment Advisor - Asset Management team	Completed
Obtain first GRESB rating on the portfolio (external consultants have already been appointed for this)	Investment Advisor - Asset Management team	September 2021 Interim Report

### TCFD recommended disclosures

#### Governance

#### Describe the climate-related risks and opportunities identified by the organisation over the short, medium and longer-term

As included above, the Board has made climate-related strategy a standing agenda point from May 2021. This will facilitate reporting on a quarterly basis directly to the Company's Board of Directors on the implementation of the Group's climate risk strategy.

To date, the Group's ESG policy - introduced in 2018 - has determined the integration of climate-related risk into strategic and other decisions. The Board, along with the Investment Advisor, have determined that the climate-related strategy should be broadened and the integration of climate-related matters into the investment process should be better established.

Detail is given above on the overall ambition and longer-term goals of the Company in relation to climate-risk, as well as the specific medium-term targets and short-term initiatives that are being undertaken in order to deliver on those goals.

Moving forward, the Board will oversee and monitor progress against the specific short-term goals of the CRWG on a quarterly basis, against the set targets and timeframes approved by the Board in this report and updated annually. The Board has approved these targets and timeframes as it believes that they will support the longer-term meeting of the Company's three goals of:

- 1) Integrating climate-related matters into the Company's investment process
- 2) Developing a route map toward delivering a science-based carbon neutral target
- 3) Providing investors and our wider stakeholder group with relevant and comparable disclosure

#### Describe management's role in assessing and managing climate-related risks and opportunities

The Investment Advisor and the Board of Directors have formed the Company's CRWG to recommend the overall climate-risk strategy of the Group, subject to Board approval. The working group includes representation from the Board of Directors (the Chairman and the Audit Committee Chair), and representation from the Investment Advisor.

The CRWG meets a minimum of once a quarter to assess implementation of the above strategy and will report directly to the Board of Directors at each quarterly Board meeting.

#### Strategy

#### Describe the climate-related risks and opportunities identified by the organisation over the short, medium and longer-term

The Company's short-term horizon is 12 months, its medium term horizon is up to three years, its long-term horizon is three plus years and covers the period beyond the date at which its leases and other material arrangements, such as long-term loans, are expected to expire.

The climate-related issues that may arise in each time horizon that the working group considers may have a material financial effect on the Group are as follows:

- Short-term horizon

There is a risk of physical damage to real estate as a result of immediate environment-related factors such as flood risks, natural fires etc. This risk may change and evolve over time and as such is also included in the long-term horizon section in relation to changing climates.

- Medium-term horizon

As institutions and other asset owners become more focussed on climate risk within their portfolios, there is likely to become a

larger pool of capital chasing the most energy efficient assets in each sector.

This represents an opportunity for those best-in-class assets to achieve a 'green premium'. The Company's position (in terms of exposure to more energy efficient assets and strategy of forward funding new assets which tend to benefit from higher efficiency levels), puts the Group in a strong position to benefit from this.

Conversely, there is likely to be a dwindling pool of capital willing and a wider yield demanded to invest in those assets that are less energy efficient as they are forced up the risk curve. The Group has certain assets within its portfolio that are comparatively less energy efficient and as such these assets are likely to see any potential purchasers taking a deduction for capex required to improve the performance of an asset and valuation yields widening over time.

Although this may be viewed as a longer-term horizon risk, given the unexpired lease terms across the portfolio, the impact on residual values implicit in the valuation and a potential reduction in occupier demand for these assets is likely to be seen in valuations more imminently as 'brown discounts'.

The impact of these 'green premiums' and 'brown discounts' will create greater polarity in valuations depending on the energy performance of an asset and is expected to be seen in the medium-term.

There is a further risk that investor sentiment restricts the Company's ability to grow through continued investment from existing and new shareholders because investors do not see the Company as fitting within their own investment criteria or effectively managing climate-risk within the portfolio. This may also have a medium-term impact on share price and access to capital.

- Long-term horizon

Changes in legislation over the longer-term, as well as factors such as the energy efficiency of real estate being incompatible with legislation and targets that impact the occupier, may result in our assets becoming unlettable or other costs, such as taxes or levies against assets that perform poorly in terms of climate impact.

As we see an increase in 'green debt' issues (bonds and RCFs), we are seeing an increased preference for lenders toward products with 'green' parameters and a cheaper cost of debt for those instruments. Providers of finance for the Company may set specific climate risk related parameters for counterparties (by policy or by law) that will reduce the Company's access to capital if it does not meet the relevant criteria, or increase the Company's cost of debt.

Over the long-term, as a result of climate-change, the built environment and the impact of climate-related factors such as changes in weather systems may significantly change. As such, the Group's assets may become more greatly exposed to physical risk, for example from flooding or tropical cyclone remnants, and therefore no longer be viable to tenants.

#### **Describe the impact of climate-related risks and opportunities on the business model, strategy and financial planning**

The Group manages the risks above through due diligence on property acquisitions and previously through the implementation of its ESG policy.

The Group has made certain acquisitions from time to time that underperform the existing targets within the Company's ESG policy in terms of energy efficiency, and these can be seen below in the percentage of assets that are lower than a D EPC rating. The CRWG has recommended specific short-term objectives, medium term targets and longer-term goals to manage the risks and opportunities identified. These are described in detail above.

- Short-term horizon

The short-term risk associated with potential damage caused to underlying real estate is addressed by the Company obtaining environmental surveys on all acquisitions.

- Medium-term horizon

The Company is planning to address the risk associated with its less energy efficient assets by evaluating an appropriate policy for minimum energy performance across the Group's assets. This target is factored into the Group's financial planning as it is likely to have to share some of the capex costs of meeting this target with tenants. The Group is employing external experts to assess the work required and the cost of implementation.

The Company is planning to manage the risk associated with access to capital through the implementation of its goal to provide investors and our wider stakeholder group with relevant and comparable disclosure. The Investment Advisor also regularly communicates with the Company's shareholders to discuss changing parameters and requirements for underlying investments.

The working group covers both the Company and the Investment Advisor, who is the key service provider to the group, within its approach to climate-related risk. The working group believes that shareholders in the medium-term will increase their focus on supply chain management and will want to invest in Companies that reflect a consistent ethos, particularly when it comes to sustainability and climate-related matters.

As such, the working group has a short term initiative to ascertain the carbon footprint that the Company has as a whole, and to establish its reporting boundaries (i.e. what the working group considers to be the carbon output of the Company), separately from assessing the underlying real estate which is outside of the Group's control. The medium-term target of doing this is to allow the CRWG to recommend a realistic goal for becoming carbon neutral that it is able to report to its shareholders.

- Long-term horizon

The working group remains abreast of changes in legislation through the Company Secretary and corporate lawyers and other third parties.

The Group's overall climate risk strategy as described in this report is designed to ensure that the Company meets the appropriate 'green' credentials that will continue to allow it debt and partner with lenders to access low cost.

#### **Describe the resilience of the organisation's strategy against different climate-related scenarios e.g. different impacts on infrastructure at higher future temperatures, including a 2°C or lower scenario.**

As an investment Company, our operations have limited exposure to the risk of transitioning to a lower carbon economy which is consistent with a 2°C or lower scenario other than enhanced physical risk to the Group's assets from changing weather conditions.

#### *Risk Management*

#### **Describe the organisation's processes for identifying and assessing climate-related risks**

Climate-related risks are monitored by the CRWG that reports directly to the Board. The CRWG's responsibility is described in detail above.

#### **Describe the organisation's processes for managing climate-related risks**

The Group's process for managing climate-related risks is described above in the Climate risk strategy.

#### **Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management**

Climate risk has been added to the Company's risk register. Responsibility for identifying, assessing and managing climate-related risks are delegated to the CRWG.

#### *Metrics and Targets*

#### **Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.**

The Group intends to split its metrics that relate to

- 1) the underlying real estate, and
- 2) the emissions and climate impact of the operations of the Company and the Investment Advisor

The Company is also enhancing the metrics reported to better align with other real estate businesses. As noted above, the Group is targeting a GRESB portfolio score in its September 2021 Interim Report and disclosing EPRA sBPR measures (using information provided by tenants) subject to appropriate information being provided by occupiers.

The Company is separately targeting a better understanding of its own emissions and the climate related performance of the business, in order to develop a route map toward recommending a science-based carbon neutral target for the Company within three years.

#### **Disclose Scope 1, Scope 2 and, if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks.**

At present, the Company is unable to disclose the GHG emissions and the related risk. The Group is targeting full compliance in the March 2022 Annual Report.

#### **Describe the targets used by the organisation to manage climate-related risks and opportunities and provide a comparison of performance against each target**

This is the first year that the Group has set climate-related targets for the portfolio. The Group's medium-term targets are detailed above and are expected to be achieved within three years. The Group has focussed on shorter-term 12-month goals, the time scale for which are also included and are set out in the table above.

In order to review and appraise the climate-related risks as regards to the underlying real estate, the working Group considers the EPC rating of its assets. The CRWG plans to carefully evaluate the Group's existing portfolio by reviewing the EPC ratings and recommending an appropriate target throughout the portfolio. The Group's current EPC ratings are as follows, weighted by passing rent using the public EPC register. The exposures below exclude assets for which EPC ratings are not available:

<b>EPC rating</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Under construction</b>	<b>A to C</b>	<b>D</b>	<b>E</b>	<b>Total</b>
Industrial	15.9%	19.3%	0.0%	42.0%	<b>77.2%</b>	22.8%	0.0%	<b>100.0%</b>
Hotel	7.4%	58.2%	13.8%	11.6%	<b>91.0%</b>	1.3%	7.7%	<b>100.0%</b>
Foodstores and essentials	43.7%	22.5%	21.5%	10.1%	<b>97.8%</b>	2.2%	0.0%	<b>100.0%</b>
Healthcare	0.0%	31.0%	37.4%	0.0%	<b>68.4%</b>	30.6%	1.0%	<b>100.0%</b>
Pubs	0.0%	6.7%	57.3%	0.0%	<b>64.0%</b>	36.0%	0.0%	<b>100.0%</b>
Drive-thru coffee	16.4%	66.5%	5.0%	7.4%	<b>95.3%</b>	0.0%	4.7%	<b>100.0%</b>
Other	16.0%	13.8%	23.2%	8.4%	<b>61.4%</b>	38.6%	0.0%	<b>100.0%</b>
	<b>18.0%</b>	<b>31.6%</b>	<b>19.0%</b>	<b>14.6%</b>	<b>83.2%</b>	<b>14.7%</b>	<b>2.1%</b>	<b>100.0%</b>

The Group works on the assumption that although assets under construction have not had EPC ratings, they will be included in A to C. This assumption is based on the following EPC rating data for the Group's forward funded and forward committed assets that have completed to date:

<b>EPC rating</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>A to C</b>	<b>D</b>	<b>E</b>	<b>Total</b>
Forward fundings	47.2%	50.9%	1.0%	<b>99.1%</b>	0.0%	0.9%	<b>100.0%</b>
Forward commitment	66.5%	33.5%	0.0%	<b>100.0%</b>	0.0%	0.0%	<b>100.0%</b>

This report is approved by the CRWG which is a joint committee of the Board and the Investment Advisor.

**Stephen Hubbard**

**Frederick Brooks**



## PROPERTY PORTFOLIO

Tenant group	Contracted rent	Rental exposure
Travelodge	£4.7	8%
Q-Park	£3.8	7%
Bombardier	£3.5	6%
Premier Inn	£2.6	5%
Greene King	£2.6	5%
Dobbies Garden Centres	£2.1	4%
Tesco	£2.0	4%
BUPA	£2.0	4%
Aldi	£1.8	3%
Co-op	£1.9	3%
Lidl	£1.9	3%
Jurys Inn	£1.8	3%
Stobart Group	£1.8	3%
Priory Group	£1.7	3%
Starbucks	£1.5	3%
Mears	£1.4	2%
Costa	£1.2m	2%
Industrial unit, Midlands	£1.3m	2%
42 other tenants	<£1m	<2%
<b>Total</b>	<b>£56.1m</b>	<b>100%</b>

Sector	Contracted rent	Rental exposure
Foodstores & essentials	£14.9m	27%
Industrial	£11.8m	21%
Hotel	£10.0m	18%
Healthcare	£6.1m	11%
Car park	£3.8m	6%
Drive-thru coffee	£2.8m	5%
Pubs	£2.7m	5%
Other	£4.0m	7%
<b>Total</b>	<b>£56.1m</b>	<b>100%</b>

Rental uplifts	Contracted rent	Rental exposure
RPI linked	£31.9m	57%
CPI linked	£12.0m	21%
Fixed uplifts	£9.6m	17%
Open market	£2.5m	5%
<b>Total</b>	<b>£56.1m</b>	<b>100%</b>

Unexpired lease term to first break	Contracted rent	Rental exposure
More than 19-years (i.e. 20+)	£31.6m	56%
More than 14-years, fewer than 19-years	£17.2m	31%
More than 9-years, fewer than 14-years	£6.0m	11%
More than 5-years, fewer than 9-years	£0.8m	1%
Fewer than 5-years	£0.5m	1%
<b>Total</b>	<b>£56.1m</b>	<b>100%</b>

Location	Contracted rent	Rental exposure
South East	£13.1m	23%

North West	£8.1m	14%
Yorkshire and the Humber	£5.9m	11%
South West	£5.2m	9%
North East	£4.9m	9%
Scotland	£4.9m	9%
West Midlands	£4.7m	8%
East of England	£3.2m	6%
East Midlands	£3.2m	6%
Northern Ireland	£1.1m	2%
Wales	£1.8m	3%
<b>Total</b>	<b>£56.1m</b>	<b>100%</b>

## 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 £1.5 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.

### Frederick Brooks (CFO)

Frederick 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. Frederick is also a qualified chartered surveyor (property finance and investment pathway) and a member of the RICS.

Frederick role covers all historical and strategic financial matters including annual and interim reporting, budgeting and forecasting, treasury management and the monitoring of internal controls. Frederick is also responsible for the Investment Advisor's reporting to the Company's Board of Directors.

### 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 practiced 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)**

Charlotte is a qualified solicitor with responsibility for managing and implementing transactions. Prior to joining the Investment Advisor, 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.

#### **Simon Haarer (Head of Asset Management)**

Having qualified as a chartered surveyor at Knight Frank Simon spent the first 10 years of his career in Commercial Lease Advisory roles, latterly at CBRE, before moving into Asset Management roles. Since making the move he has managed a variety of asset classes including offices, industrial and foodstores, across the UK. Simon's role at LXi REIT Advisors is to oversee all asset management matters.

#### **Charlotte Price (Financial Controller)**

Charlotte is a qualified Chartered Accountant (ACA). Prior to joining the team, Charlotte trained and qualified in the real estate team at BDO spending five years working with large property funds, developers and contractors. Charlotte's role at LXi involves overseeing the group accounting, reporting and financial planning. Charlotte also has responsibility for REIT regime and debt compliance and reporting and heads the Group's ESG initiatives.

### **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 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;
- 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 targets a wide range of defensive and robust sectors, including, but not limited to, office, leisure, industrial, distribution and alternatives - including hotels, serviced apartments, affordable housing and student accommodation. It also focuses on growth sub-sector areas such as discount foodstores, budget hotel operators and "last mile" distribution units fuelled by online retail.

The Company seeks 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 only invests in assets with leases containing regular upward-only rental reviews. These reviews 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 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 diversifying 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% 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% loan to value;
- the aggregate maximum exposure to any one tenant, at the time of acquisition of the relevant investment, will be 30% 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% 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 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% of the Company's gross assets and a maximum level of aggregate borrowings of 35% 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
		2021	2020	
<p><b>1. Total NAV return</b></p> <p>Total NAV return measures the change in the EPRA NTA and dividends during the period as a percentage of EPRA NTA at the start of the period. We are targeting a minimum of 8% per annum over the medium term.</p>	<p>Total NAV return measures the ultimate outcome of our strategy, which is to deliver value to our shareholders through our portfolio and to deliver a secure and growing income stream. A reconciliation of total NAV return is provided in the Additional Information section.</p>	5.6%	13.4%	<p><i>The current year result is below the Group's medium-term minimum target of 8% but the four-year compounded average since IPO remains significantly ahead at 10.1% pa.</i></p>
<p><b>2. Dividend per share</b></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>	5.55p	5.75p	<p><i>During the year the Group targeted dividends on a quarterly basis and all dividend targets announced were</i></p>

				<i>met.</i>
<b>3. EPRA Net Tangible Assets ("NTA")</b> Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	The NAV reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.	<b>125.7p</b>	124.3p	<i>Increased EPRA NAV per share by 1.1%.</i>
<b>4. Loan to value</b> The proportion of our total assets that is funded by borrowings. Our target maximum LTV is 35%.	The LTV measures the prudence of our financing strategy, balancing the additional returns and portfolio diversification that come with using debt against the need to successfully manage risk.	<b>23%</b>	20%	<i>Below our medium term maximum target of 35% and LTV covenant of 50%.</i>
<b>5. Adjusted earnings per share</b> Post-tax Adjusted earnings per share attributable to shareholders, which includes the licence fee receivable on our forward funded development assets treated under IFRS as discounts to investment property acquisitions.	The Adjusted earnings per share reflects our ability to generate income from our portfolio, which ultimately underpins our dividend payments. A reconciliation of Adjusted earnings is included in Note 25 to the consolidated financial statements.	<b>7.5p</b>	6.3p	<i>Reflecting 1.4 times dividend cover.</i>
<b>6. Total expense ratio</b> The ratio of total operating expenses, including management fees expressed as a percentage of the average net asset value.	The total expense ratio is a key measure of our operational excellence. Maintaining a low cost base supports our ability to pay dividends.	<b>0.9%</b>	1.1%	<i>In line with our target.</i>
<b>7. Weighted average unexpired lease term</b> The average unexpired lease term of the property portfolio weighted by annual passing rents. Our target WAULT is a minimum of 20 years.	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security and predictability of our income stream.	<b>22 years<sup>1</sup></b>	22 years	<i>In line with our investment objective.</i>
<b>8. Percentage of contracted rents index-linked or fixed</b> This takes the total value of contracted rents that contain rent reviews linked to inflation or fixed uplifts.	This measures the extent to which we are investing in line with our investment objective, to provide inflation-linked returns.	<b>95%<sup>1</sup></b>	96%	<i>In line with our investment objective.</i>

<sup>1</sup> As at the reporting date

## EPRA PERFORMANCE MEASURES

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

Reconciliations of EPRA Earnings and NAV measures are included in Notes 25 and 26 to the consolidated financial statements respectively. Reconciliations of other EPRA performance measures in the Notes to the EPRA and alternative performance measures further below.

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Measure and Definition	Purpose	Performance
<b>1. EPRA Earnings Per Share</b>	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.	<b>6.4p</b> (31 March 2020: 5.6p)
<b>2. EPRA Net Tangible Assets ("NTA")</b>	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	<b>125.7p</b> (31 March 2020: 124.3p)
<b>3. EPRA Net Reinstatement Value ("NRV")</b>	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	<b>136.1p</b> (31 March 2020: 135.7p)
<b>4. EPRA Net Disposal Value ("NDV")</b>	Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	<b>124.8p</b> (31 March 2020: 121.2p)
<b>5. EPRA Net Initial Yield ("NIY")</b>	EPRA NIY is annualised net rents on investment properties as a percentage of the investment property valuation, less purchaser's costs.	<b>4.9%</b> (31 March 2020: 5.1%)
<b>6. EPRA 'Topped-Up' NIY</b>	The 'topped-up' measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	<b>6.6%</b> (31 March 2020: 6.3%)
<b>7. EPRA Vacancy</b>	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	<b>0%</b> (31 March 2020: 0%)
<b>8. EPRA Cost Ratio</b>	A key measure to enable meaningful measurement of the changes in a company's operating costs.	<b>14.0%</b> (31 March 2020: 17.1%)

## SECTION 172 STATEMENT

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s.172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of members as a whole.

This statement includes consideration of the likely consequences of the decisions of the Board in the longer term and how the Board has taken wider stakeholders' needs into account.

### Stakeholder identification and management

The Board has identified the major stakeholders in the Company's business. On an ongoing basis the Board monitors both potential and actual impacts of the decisions it makes in respect of the Company upon those major stakeholders identified.

**Shareholders:** As a public company listed on the London Stock Exchange, the Company is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules. The Listing Rules include a listing principle that a listed company must ensure that it treats all holders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. With the assistance of regular discussions with and the formal advice of the Company's legal counsel, secretary and corporate broker, the Board abides by the Listing Rules at all times.

For information on shareholder engagement please see the Governance section of this report which contains further information on shareholder engagement.

To a great extent, shareholder engagement on behalf of the Company is managed by the Investment Advisor. The Investment Advisor along with the Company's corporate broker regularly meets with the Company's shareholders to provide Company updates and to foster regular dialogue.

**Tenants:** The Investment Advisor performs extensive due diligence before a tenant is selected, and during the tenancy agreement they maintain a constructive relationship through ongoing engagement. The Investment Advisor takes into account the tenants' changing needs and uses their expertise to assist them in any way within their ability.

The Group's acquisition strategy is generally focussed towards new leases being agreed with tenants and seeks to avoid 'passive



landlord' status with tenants. The Group acquires the majority of its properties through forward funding or forward commitment structures or corporate sale and leasebacks, meaning that close access is achieved to the tenant and their business plans, and direct input in negotiating the commercial terms of the lease. This puts us in a stronger position to generate and foster relationships with our tenants than landlords who focus on purchasing ready made products with a significant portion of a lease term already having expired.

We also focus on asset management initiatives to assist our tenant partners in achieving the maximum value from the sites that we own and thereby, increasing their strategic importance to the tenants and in doing so increasing the security of our own income.

**Service Providers:** A list of the Company's key service providers can be found in the Management Engagement Committee Report. As an externally managed investment trust, the Company conducts all its business through its key service providers. Before the engagement of a service provider, the Board ensures that the Company's business outlook as well as values are similar. The Board performs an annual evaluation of all of its key service providers to ensure inter alia that the Company's values remain aligned. The Board has regular interaction with the Investment Advisor, AIFM, Broker, Company Secretary, Administrator and Depositary and receives reports on the performance of the rest of the key service providers by the Investment Advisor and Company Secretary.

**Employees:** As a real estate investment trust, the Company does not have any employees as all of its functions are carried out by third party service providers. However, the Company has a Board of Directors who are non-executive and receive fixed fee remuneration. Since all investment decisions have to be approved by the Board, they remain insulant to excessive risk taking which could potentially have a harmful impact on the environment. The Company's Board receive regular market and regulatory updates from its professional advisors such as the Investment Advisor, Broker and Company Secretary and attend seminars where required. The Company's Board is comprised of three male and two female directors. Diversity is at the centre of the Company's recruitment policy and future director recruitment processes will reflect this.

**Lenders:** The Group uses conservative leverage to gear shareholder returns in line with the Company's borrowing policy. The Group works closely with lenders to maintain a constructive relationship through ongoing engagement. The Investment Advisor takes into account the terms of its loan agreements when implementing the investment strategy and regularly discusses ongoing initiatives and portfolio matters with its lenders.

**Society and the environment:** As an investor in real estate, the Company's assets have an impact on the built environment. The Company has an ESG policy and climate risk strategy that ensure that society and the environment are considered in implementing its investment strategy. The ESG policy is available on request from the Company Secretary and the Climate Risk Strategy report.

#### **Board activity and stakeholder considerations**

The Board's main working relationship is with the Investment Advisor. The Group's performance to date has been strong and in all cases has exceeded or met its stated target. This performance is underpinned by the quality of the Investment Advisor's management team. In particular, this is reflected in the sourcing of high quality assets at attractive pricing, the management of the risks and exposures of the Company's portfolio, the development and maintenance of relationships with shareholders and other financiers and the regularity and quality of reporting to the Company's stakeholders.

The Board retains responsibility for the approval of every property acquisition and disposal and in doing so is able to give due consideration to its wider stakeholder group. The Board relies on the Investment Advisor's sourcing and due diligence conclusions which are presented to the Board before each transaction. In turn, the Board offers a robust challenge to validate the quality of each investment.

The Board also deliberates on the quality of each tenant's robustness, financial viability, reputation, corporate values and operational excellence in its sub-sector before approving each transaction.

The Board's long-term strategic goal has been to maximise shareholder value by growing the Company in a prudent and accretive manner. As such the Board carefully considers the merits of raising new equity and debt capital before it is approved. It works closely with the Investment Advisor to advance due diligence on a pre-identified pipeline to a defensive position that will allow the timely execution of deals once new capital is raised. The Board considers the respective merits and risks of raising new capital and at what price before any potential equity raise is approved.

#### **Key decisions made during the year**

##### *Equity raise during the year*

During the year, the Board approved a £125m capital raise that is described in detail in the Chairman's statement and the Directors Report. The Board considered that the deployment of new capital would benefit the shareholders of the Group through increased diversification and a reduced ongoing cost ratio as well as providing enhanced liquidity to a broadened capital and investor base and larger market capitalisation. The placing programme was approved by shareholders at an EGM that followed an extensive roadshow at which the Investment Advisor presented to existing and potential new shareholders.

##### *Dividend guidance*

In May 2020, following the onset of the Covid-19 pandemic, the Board opted not to issue annual dividend guidance in respect of the financial year. The decision followed the significant uncertainty of rent collection levels due to operational disruptions and the UK Government's decision to suspend landlord forfeiture rights. The Board considered that the decision would protect the interests of all of the Group's stakeholders by protecting and value and viability of the Company. The decision was discussed at length with the Company's Investment Advisor, Sponsor and Corporate Brokers as well as the Group's lenders. During the early period of the pandemic the Investment Advisor has extensive discussions with the Company's investor base and increased the regularity of its operational updates via RNS, which has continued since.

The Board implemented a quarterly dividend target strategy that is described in detail in the Chairman's statement and the

Directors Report. The Board considered that the lack of certainty over dividend levels meant that any annual target guidance given could potentially mislead existing and potential shareholders and that it would be in the interest of shareholders therefore not to give forward looking guidance, other than on a quarterly basis.

In February 2021, following consistent and improving rent collection, the Board approved the reinstatement of annual dividend guidance.

#### PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Mitigant	Probability	Impact
<p><b>Covid-19 global pandemic</b></p> <p>The COVID-19 pandemic has created considerable uncertainty for the economy, the real estate market and the investment sector. The lockdown and movement restriction are likely to continue for the foreseeable future and will have significant long-term impact increasing the levels of risk in a number of principal areas.</p>	<p>The Board closely monitors the business continuity of each of its service providers to ensure adequate controls are in place to limit the impact to the Company</p>	<p><b>High</b></p>	<p><b>High</b></p>
<p><b>Tenant default risk</b></p> <p>The current environment has increased the risk of tenant default, the extent of which varies significantly by business sector and individual companies.</p> <p>Dividends payable are dependent on the rent collection of the group. If rent collection is affected it could restrict the ability to pay dividends.</p>	<p>A general covenant review has been undertaken of the major tenants. The overall structure of the portfolio continues to be monitored as approaches and opportunities arise. Covenant reviews on all tenants over 2% of the portfolio are provided to the Board quarterly for review.</p> <p>A subcommittee of the Audit Committee has been set up to review individual properties.</p> <p>Where tenants have expressed difficulty in making rent payments, negotiations were undertaken and are being closely monitored.</p> <p>While the negotiations have an objective to maximise the groups cashflow, to protect dividend distribution and satisfy banking covenants, they are balanced with the view to protect the long term viability of tenants. Proportionate assistance has been extended where considered prudent.</p>	<p><b>Moderate</b></p>	<p><b>Moderate</b></p>
<p><b>Property and real estate risks</b></p>			
<p><b>Competition for properties</b></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.</p> <p>The Board reviews the performance of the Group against its investment objectives at quarterly Board meetings.</p> <p>The Investment Advisor monitors the Group's financial position and returns on an ongoing basis.</p> <p>The Investment Advisor has long standing relationships and an extensive track-record. The Group also has a wide range of available assets given (i) a multi sector approach and (ii) an ability to forward fund as well as invest in built assets. To date the Group has transacted the vast majority of deals on an 'off market' basis, avoiding competition.</p>	<p><b>Moderate</b></p>	<p><b>Moderate</b></p>
<p><b>Property valuation</b></p>	<p>The Group only acquires properties with strong fundamentals that are of strategic</p>	<p><b>Low (from Low to</b></p>	<p><b>Moderate to High</b></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 at a discount to the prevailing valuation of the relevant property.</p> <p>The Group's independent third-party valuer relies on the information provided by the Investment Advisor to produce its valuations. The valuer does not use source documents. An error in the information provided to the valuer could result in material error in the property valuation.</p> <p>The Group's Valuer had included a disclosure relating to a material uncertainty in the property valuation as at 31 March 2020 which has been subsequently removed for all further valuations, therefore the probability of the risk has decreased to Low from Low to Moderate.</p>	<p>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.</p> <p>An experienced independent third party valuer has been appointed to carry out bi-annual property valuations.</p> <p>The performance of third party service providers is regularly reviewed by the Board.</p> <p>The valuer inspects each property at least once annually.</p> <p>The Investment Advisor agrees all information included in the valuation report back to source data each time the portfolio is valued.</p> <p>The data provided to the valuer is reviewed internally by the Directors of the Investment Advisor.</p>	<p><b>Moderate)</b></p>	
<p><b>Tenant default risk</b></p> <p>Dividends payable by the Group 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 pay dividends.</p>	<p>The Investment Advisor undertakes thorough due diligence before proposing investments to the Board for approval and only proposes assets let to strong tenants with proven operating track records who should be able to pay the rents as and when they are due.</p> <p>The Investment Advisor continues to monitor the credit worthiness of its tenant counterparties by quarterly reviews of operating performance and liquidity, as well as reviews of other online data including credit ratings and press. The Investment Advisor has regular communication with tenants to discuss the operating performance of its assets as well as at a corporate level.</p> <p>The Investment Advisor focusses on sectors that have a competitive tenant market and properties that demonstrate strong fundamentals such as low rents, low level of specification and strong trading performance at an asset level. These factors protect against the potential downside impact of tenant default as the property is attractive to alternative users.</p>	<p><b>Low</b></p>	<p><b>Moderate</b></p>
<p><b>Compliance risks</b></p>			
<p><b>REIT status</b></p> <p>Failure to adhere to accounting, legal and regulatory requirements could result in material adverse consequences for the Group. If the</p>	<p>The Investment Advisor monitors compliance with the REIT regime. The Group has appointed experienced third-party tax advisors with appropriate relevant experience to assist with tax</p>	<p><b>Low</b></p>	<p><b>High</b></p>

<p>Group fails to remain qualified as a REIT, the Group will be subject to UK corporation tax on some or all of its property rental income and chargeable gains, which would reduce the earnings and amounts available for distribution to shareholders.</p>	<p>compliance matters. Calculation of dividend 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 Management Engagement Committee and the Board.</p> <p>The Investment Advisor reports quarterly to the Board on the two financial metrics relevant to REIT compliance, being balance of business and distribution of profits.</p>		
<p><b>Operating within banking covenants</b></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 considers the risk to have decreased from Moderate to Low given the removal of the material uncertainty in respect of the property valuations.</p>	<p>The Group acquires property with a low loan to value ratio and there is significant headroom for valuation movements. The Investment Advisor and/or AIFM monitor compliance with the banking loan covenants.</p> <p>The Investment Advisor reports quarterly to the Board on the two financial covenant compliance.</p>	<p><b>Low (from Moderate)</b></p>	<p><b>High</b></p>
<p><b>Other risks</b></p>			
<p><b>Dependence on the Investment Advisor</b></p> <p>The Group relies on the Investment Advisor's services, market intelligence, relationships and expertise. To a large extent the Group's performance is reliant on the continued service of the Investment Advisor.</p> <p>A termination of the Investment Advisory Agreement would have an adverse impact on the Group's performance.</p> <p>An unexpectedly rapid growth in the Investment Advisor's assets under management might cause an adverse impact on the Group's performance.</p>	<p>The Board has executed a long-term Investment Advisory Agreement securing the services of the Investment Advisor until 31 March 2025. A key man provision exists in the IA agreement relating to the co-Fund Managers.</p> <p>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.</p> <p>The Investment Advisory fee is a sliding scale % based on market capitalisation to align the Investment Advisor's interest with those of the shareholders.</p> <p>The Investment Advisor is committed to growing its own resource to adequately reflect any growth in AUM and this has been demonstrated by the recruitment of additional personnel where appropriate to support the continued effective management of assets.</p> <p>The Investment Advisor is also part of a wider group with over \$15bn under management and adequate resources and expertise that may be relied upon from time to time. Some operational matters are subcontracted to this group as required and appropriate.</p>	<p><b>Low</b></p>	<p><b>High</b></p>
<p><b>Political uncertainty</b></p> <p>Following the UK's exit from the European Union, there is significant political and economic uncertainty. The extent of the impact on the Group is unknown but the impact on the</p>	<p>The Board recognise that the level of uncertainty makes the risk difficult to mitigate fully. The strength of our tenant and guarantor group reduces the risk of economic uncertainty impacting our income and it is well positioned to withstand any downturn. The Group</p>	<p><b>Moderate</b></p>	<p><b>Low</b></p>

<p>economy could result in difficulty raising capital in the EU and/or a change in regulatory compliance burden on the Group.</p>	<p>invest solely in UK properties. We also note the flight to attractive secure long income which has emerged post-referendum, attracting many investors to the sector due to the positive yield gap to gilts.</p>		
<p><b>Climate-related risks</b></p>			
<p><b>Physical risk</b></p> <p>There is a risk of physical damage to real estate as a result of immediate environment-related factors such as flood risks, natural fires, etc.</p> <p>This risk is likely to change and evolve over time. In the long-term, volatile changes in the weather systems may deem the Group's properties no longer viable to tenants.</p>	<p>The Company obtains environmental surveys on all acquisitions, which address the short-term risk of climate related damage to group properties.</p> <p>The Investment Advisor's asset management team will continue to monitor the changing physical risk as it develops through regular site visits to the Group's assets.</p>	<p><b>Low</b></p>	<p><b>High</b></p>
<p><b>Property valuation</b></p> <p>As institutional property investors and owners increase their focus on climate risk, there is likely to become a larger pool of capital looking to invest in energy efficient assets.</p> <p>Although this represents an opportunity for those best-in-class assets to achieve a 'green premium', there is likely to be a dwindling pool of capital willing, and a wider yield demanded, to invest in assets that are less energy efficiency. The combined effect may result in greater polarisation of property values.</p> <p>The assets within the Group's portfolio that are less energy efficient may be exposed to downward pressure on valuation or increased pressure to invest in the improvement of individual assets. Given the unexpired lease terms across the portfolio, this trend may impact the residual values implicit in valuations and reduce tenant demand for these properties.</p>	<p>A Climate Risk working group (CRWG) has been created to develop a road map to an energy efficient property portfolio including an appropriate policy for minimum energy performance across the Group's assets.</p> <p>The working group covers both the Company and the Investment Advisor, who is the key service provider to the group.</p> <p>A short-term initiative has been sent to ascertain the carbon footprint that the Company has as a whole, and to establish its reporting boundaries and recommend a realistic goal for becoming carbon neutral.</p> <p>The Group is employing external experts to assess the work required and the cost of implementation.</p> <p>Allowance has been made in the Group's financial planning as it is likely to have to share some of the capex costs of meeting this target with tenants.</p>	<p><b>Moderate</b></p>	<p><b>High</b></p>
<p><b>Access to capital</b></p> <p>There is a risk that investor sentiment restricts the Company's ability to grow through continued investment from existing and new shareholders if investors do not see the company as fitting within their own investment criteria or effectively managing climate-risk within the portfolio. This could potentially impact share price and access to capital.</p> <p>As we see an increase in 'green debt' issues (bonds and RCFs), we are seeing an increased preference for lenders toward products with 'green' parameters and a cheaper cost of debt for those instruments. Providers of finance for the Company may set specific climate risk related parameters for counterparties (by policy or by law)</p>	<p>The company will manage the risk associated with access to capital through the implementation of relevant, transparent and comparable reporting to shareholders, investors and the wider stakeholder group.</p> <p>The investment advisor also regularly communicates with the Company's shareholders to discuss changing parameters and requirements for investment.</p> <p>The working group understands that shareholders will increase their focus on supply chain management and will want to invest in Companies that reflect a consistent ethos, particularly when it comes to sustainability and climate-related matters.</p>	<p><b>Moderate</b></p>	<p><b>High</b></p>

that will reduce the Company's access to capital if it does not meet the relevant criteria, or they may increase the Company's cost of debt.			
<p><b>Regulatory Risk</b></p> <p>Changes in legislation over the longer-term as well as other factors such as the energy efficiency of real estate being incompatible with legislation and targets that impact the occupier, may result in our assets becoming unlettable or other costs, such as taxes or fines being levied against assets that perform poorly in terms of climate impact.</p>	<p>The working group remains abreast of changes in legislation through the Company Secretary and corporate lawyers and other third parties.</p> <p>The Group's overall climate risk strategy is designed to ensure that the Company meets the appropriate 'green' credentials that will continue to allow it debt and to partner with low cost lenders.</p>	<b>Low</b>	<b>High</b>

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss for the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union subject to any material departures disclosed and explained in the financial statements;
- prepare a director's report, a strategic report and director's remuneration report which comply 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

### 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' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 and loss of the group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and financial statements taken as a whole are 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

### Stephen Hubbard

Chairman of the Board of Directors

18 May 2021

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
<b>Rental income</b>	4	<b>42.8</b>	<b>38.5</b>
Administrative and other expenses	5	(5.9)	(6.6)
<b>Operating profit before change in fair value and gain on disposal of investment property</b>		<b>36.9</b>	<b>31.9</b>
Change in fair value of investment property	9	0.1	45.4
Gain on disposal of investment property	9	6.3	1.2
Change in fair value of financial instruments		-	(0.1)
<b>Operating profit</b>		<b>43.3</b>	<b>78.4</b>
Gain on refinancing		1.9	-
Finance income	6	-	0.2
Finance costs	7	(5.3)	(5.0)
<b>Profit before tax</b>		<b>39.9</b>	<b>73.6</b>
Taxation	8	-	-
<b>Profit and total comprehensive income attributable to shareholders</b>		<b>39.9</b>	<b>73.6</b>
<b>Earnings per share - basic and diluted</b>	25	<b>7.6p</b>	<b>15.2p</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company number: 10535081

	Note	31 March 2021 £m	31 March 2020 £m
<b>Non-current assets</b>			
Investment property	9	887.5	809.7
Trade and other receivables	11	0.4	-
<b>Total non-current assets</b>		<b>887.9</b>	<b>809.7</b>
<b>Current assets</b>			
Trade and other receivables	11	13.7	10.1
Deferred acquisition costs		1.4	0.5
Cash and cash equivalents	12	87.1	13.4
<b>Total current assets</b>		<b>102.2</b>	<b>24.0</b>
<b>Total assets</b>		<b>990.1</b>	<b>833.7</b>
<b>Current liabilities</b>			
Trade and other payables	13	18.3	16.1
<b>Total current liabilities</b>		<b>18.3</b>	<b>16.1</b>
<b>Non-current liabilities</b>			
Bank borrowings	14	186.6	166.1
Trade and other payables	13	3.8	3.5
<b>Total non-current liabilities</b>		<b>190.4</b>	<b>169.6</b>
<b>Total liabilities</b>		<b>208.7</b>	<b>185.7</b>

<b>Net assets</b>		<b>781.4</b>	<b>648.0</b>
<b>Equity</b>			
Share capital	15	6.2	5.2
Share premium reserve	16	544.5	423.2
Capital reduction reserve		62.1	90.9
Retained earnings		168.6	128.7
<b>Total equity</b>		<b>781.4</b>	<b>648.0</b>
<b>Net asset value per share - basic and diluted</b>	26	<b>125.7p</b>	<b>124.3p</b>
<b>EPRA NTA per share</b>	26	<b>125.7p</b>	<b>124.3p</b>

The consolidated financial statements were approved and authorised for issue by the Board on 18 May 2021 and signed on its behalf by:

**Stephen Hubbard**

Chairman of the Board of Directors

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2020</b>		<b>5.2</b>	<b>423.2</b>	<b>90.9</b>	<b>128.7</b>	<b>648.0</b>
<b>Profit and total comprehensive income attributable to shareholders</b>		-	-	-	39.9	39.9
<b>Transactions with owners</b>						
Issue of ordinary shares in the year	15,16	1.0	124.0	-	-	125.0
Share issue costs	16	-	(2.7)	-	-	(2.7)
<b>Dividends paid in the year</b>	17	-	-	(28.8)	-	(28.8)
<b>Balance at 31 March 2021</b>		<b>6.2</b>	<b>544.5</b>	<b>62.1</b>	<b>168.6</b>	<b>781.4</b>

Year ended 31 March 2020	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2019</b>		<b>3.5</b>	<b>229.3</b>	<b>115.9</b>	<b>55.1</b>	<b>403.8</b>
<b>Profit and total comprehensive income attributable to shareholders</b>		-	-	-	73.6	73.6
<b>Transactions with owners</b>						
Issue of ordinary shares in the year	15,16	1.7	197.9	-	-	199.6
Share issue costs	16	-	(4.0)	-	-	(4.0)
<b>Dividends paid in the year</b>	17	-	-	(25.0)	-	(25.0)
<b>Balance at 31 March 2020</b>		<b>5.2</b>	<b>423.2</b>	<b>90.9</b>	<b>128.7</b>	<b>648.0</b>

#### CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
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## Cash flows from operating activities

Profit before tax		39.9	73.6
Adjustments for:			
Finance income	6	-	(0.2)
Finance costs	7	5.3	5.0
Gain on refinancing		(1.9)	-
Change in fair value of investment property	9	(0.1)	(45.4)
Gain on disposal of investment property	9	(6.3)	(1.2)
Change in fair value of derivative		-	(0.1)
Accretion of tenant lease incentives	4	(8.4)	(5.4)
<b>Operating results before working capital changes</b>		<b>28.5</b>	<b>26.3</b>
Increase in trade and other receivables		(2.6)	(4.9)
Increase in trade and other payables		3.0	4.4
<b>Net cash flow generated from operating activities</b>		<b>28.9</b>	<b>25.8</b>

## Cash flows from investing activities

Purchase of derivative		-	0.2
Purchase of investment properties		(160.5)	(260.1)
Proceeds from sale of investment property		96.0	20.9
Interest received		-	0.2
<b>Net cash flow used in investing activities</b>		<b>(64.5)</b>	<b>(238.8)</b>

## Cash flows from financing activities

Proceeds from shares issued in the period		125.0	199.6
Share issue costs paid		(2.7)	(3.9)
Dividend paid		(28.8)	(25.0)
Interest paid		(5.9)	(4.7)
Drawdown of borrowings		62.3	43.2
Repayment of borrowings		(40.0)	-
Loan arrangement fees paid		(0.6)	(2.2)
<b>Net cash flow generated from financing activities</b>		<b>109.3</b>	<b>207.0</b>

**Net decrease in cash and cash equivalents** **73.7** **(6.0)**

Cash and cash equivalents at the beginning of the year 13.4 19.4

**Cash and cash equivalents at the end of the year** 12 **87.1** **13.4**

## 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 2021. 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 2021, 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 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The Independent Auditor's report on the 31 March 2020 financial statements was unqualified, 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 2021. The comparative information included in the financial statements relates to the year ended 31 March 2020.

The Group's financial statements have been prepared on a historical cost basis, as modified for the Group's investment properties and derivative financial instruments which have been measured at fair value with changes recognised 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 hundred thousand except where indicated otherwise.

#### Standards effective from 1 April 2020

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

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting

## Estimates and Errors"

- Revised Conceptual Framework for Financial Reporting

These standards have been assessed to have no significant impact to the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

- Amendments to IFRS 3 "Business Combinations", definition of a business. Under the amendments of IFRS 3, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. An optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business has been added. The Directors have assessed the adoption of the amendment and interpretation does not have a material impact on the financial statements in the period of initial application. This is because the amendment narrows the definition of a business, however, subsidiaries acquired by the Group to date have all been treated as the acquisition of a group of assets rather than a business as there was not an integrated set of activities acquired in addition to the property. The Group does not intend to purchase any subsidiaries which incorporate anything other than an investment property.
- Amendments to IFRS 16 regarding Covid-19-related rent concessions were issued in May 2020, for annual reporting periods beginning on or after 1 June 2020. It permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The impact of this amendment is considered immaterial as the Group does not hold any material operating or leasehold agreements as lessee.

### · **Standards issued not yet effective**

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

- Interest Rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments provide relief to the Group in respect of certain loans whose contractual terms are affected by interest benchmark reform (effective from 1 January 2021). Applying the practical expedient introduced by the amendments, when the benchmarks are replaced the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the loans' benchmark interest rate will not result in an immediate gain or loss recorded in profit or loss.
- Amendments to IAS 1 which clarifies the criteria used to determine whether liabilities are classified as current or non-current (effective 1 January 2023). These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.

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

### · **Going concern**

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

Assessment of the Group's ability to continue as a going concern has been subject to considerable scrutiny since the onset of the Covid-19 global pandemic which has had a significant impact on the operations as well as the financial performance of many of our tenants. However, the success of the UK vaccine roll-out has led to the easing of Government lockdown restrictions and as of the date of this report all of our tenant sites are open and operational.

Non-essential retail, hospitality and leisure facilities re-opened from 12 April 2021. From 17 May 2021 indoor hospitality and the remainder of businesses in all but the highest risk sectors have also re-opened. At the date of this report all of our tenant sites remain open and operational.

The Board believes that the Company remains well placed to navigate any future periods of uncertainty that may arise and to mitigate the risks presented. We draw comfort from the Group's robust balance sheet and high-quality portfolio of commercial property assets let or pre-let on long term, index-linked leases to a wide range of strong tenant covenants highly diversified by tenant, sector and location.

Our strength and resilience as a business was demonstrated during the last financial year. In particular the Board is comforted by the following characteristics of the platform:

#### *Low, long dated and low-cost debt facilities, with significant covenant headroom*

- The Group's loan to value ("**LTV**") as at 31 March 2021 was 23%, this provides significant headroom to the covenant of 50%
- The Group's portfolio is currently valued at £938.4m reflecting a valuation yield of 4.9%.
- The Group's forward looking interest cover ratio ("**ICR**") is c.600% versus the interest cover test of 300% in its banking facilities
- The Group has no short or medium term refinancing risk given the 13-year average maturity of its long term debt facilities with Scottish Widows which expires in December 2033, which are fully fixed at an all-in average rate of 2.85% pa and over three years remaining on the Group's RCF

#### *Defensive and diversified portfolio that is 100% let or pre-let on long leases to strong tenant covenants*

- The Company's portfolio is 100% let or pre-let to over 50 strong tenants, across eight sub-sectors. Furthermore the tenants are the main trading or parent companies within the tenant groups

- The Company's leases average 22 years to first break and each lease is drawn on a fully repairing and insuring basis - tenants are responsible for repair, maintenance and outgoings, so there is no cost leakage for the Company

#### *Strong liquidity*

- At 31 March 2021 the Group had net assets of £781.4m (31 March 2020: £648.0m) and a cash balance of £87.1m (31 March 2020: £13.4m) with £76.7m of undrawn revolving credit facility (£31 March 2020: £100.0m)

#### *Going concern statement*

Based on the consideration above, the Board believes that the Group has the ability to continue in business at least twelve months from the date of approval of these financial statements and therefore have adopted the going concern basis in the preparation of this financial information.

The sensitivities performed were designed to be severe but plausible; and to take full account of the availability of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks:

**Downturn in economic outlook:** key assumptions including tenant default, void periods, necessary rent free periods, capital expenditure, income growth and softening valuation yields were sensitised to reflect reasonably likely levels associated with a longer-term economic downturn.

**Restricted availability of finance:** The Group's first significant refinancing event (assuming all extension options are taken) is August 2024. The Group's policy is to arrange alternative finance in advance of expected requirements and the Directors have reasonable confidence that an extension, additional or replacement debt facilities will be put in place prior to the refinancing date. Furthermore, the Group has the ability to make disposals of investment properties to meet the future financing requirements and has demonstrated its ability to do so.

## **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 market value of Investment property is determined by an independent property valuation expert to be the estimated amount for which a property should exchange on the date of the valuation in an arm's-length transaction. The Group uses the valuations carried out by Knight Frank LLP (the "Independent Valuer") and Cushman & Wakefield 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 recognised at the point where conditions to the purchase are substantially met and 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 described 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.

In the event of a modification to the terms of a loan agreement, the Group considers both the quantitative and qualitative impact of the changes. Where a modification is considered substantial, the existing facility is treated as settled and the new facility is recognised. Where the modification is not considered substantial, the carrying value of the liability is restated to the present value of the cash flows of the modified arrangement, discounted using the effective interest rate of the original arrangement. The difference is recognised as a gain or loss on refinancing through the statement of comprehensive income.

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.

For leases which contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight line basis over the lease term.

Tenant lease incentives are recognised as a reduction of rental income on a straight line basis over the term of the lease. The Group recognises the impact of the temporary rent reductions agreed to support tenants as a result of the Covid-19 pandemic as a reduction of rental income on a straight line basis over the expected lease term.

Sub-leases of leasehold properties are classified with reference to the right of use asset arising from the head lease. All other leases are classified as operating leases.

#### · **Leases - the Group as lessee**

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

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

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

#### · **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 2021	Year ended 31 March 2020
	£m	£m
<b>Rental income from investment property</b>	<b>34.4</b>	<b>33.1</b>
Accretion of tenant lease incentives (Note 9)	8.4	5.4
	<b>42.8</b>	<b>38.5</b>

#### 5. Administrative and other expenses

	Year ended 31 March 2021	Year ended 31 March 2020
	£m	£m
Investment advisory fees (Note 20)	4.4	4.5
Legal and professional fees	0.5	0.6
Other administrative costs	0.3	0.4
Corporate administration fees	0.3	0.3
Fees paid to the Company's Independent Auditor	0.2	0.2
Directors' fees (Note 20)	0.3	0.2
Advertising & Marketing	0.1	0.1
Expected credit loss movement	(0.2)	0.3
	<b>5.9</b>	<b>6.6</b>

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

The Company paid £0.1m of additional fees to the Company's Independent Auditor in respect of reporting accountant services in the year which have been recognised directly in equity as share issue costs (31 March 2020: £0.1m). Refer to the Report of the Audit Committee section.

#### 6. Finance income

	Year ended 31 March 2021	Year ended 31 March 2020
	£m	£m
Interest on cash held at bank	-	0.2
	-	<b>0.2</b>

#### 7. Finance costs

	Year ended 31 March 2021	Year ended 31 March 2020
	£m	£m
Interest payable on bank borrowings	4.6	4.4
Amortisation of loan arrangement fees	0.7	0.6
	<b>5.3</b>	<b>5.0</b>

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

- (i) the interest payable on bank borrowings totalling £5.9m of which £1.3m was capitalised (31 March 2020: £5.4m of which £1.0m was capitalised); and
- (ii) the amortisation of loan arrangement fees totalling £0.7m of which £nil was capitalised (31 March 2020: £0.6m of which £nil was capitalised).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the year was 2.85% PA.

## 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 2021 £m	Year ended 31 March 2020 £m
Current tax	-	-
<b>Total current tax</b>	<b>-</b>	<b>-</b>
Origination and reversal of temporary differences	-	-
<b>Total deferred tax</b>	<b>-</b>	<b>-</b>
<b>Tax charge</b>	<b>-</b>	<b>-</b>

### 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 2021 £m	Year ended 31 March 2020 £m
<b>Profit before tax</b>	<b>39.9</b>	<b>73.6</b>
Tax at the standard rate of UK corporation tax of 19%	7.6	14.0
Effects of:		
REIT exempt income	(7.6)	(5.4)
Revaluation of investment properties	-	(8.6)
<b>Tax charge</b>	<b>-</b>	<b>-</b>

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 £m	Investment property freehold £m	Investment property in course of construction £m	Total £m
<b>Year ended 31 March 2021</b>				
Balance at 1 April 2020	107.3	592.3	110.1	809.7
Property acquisitions	12.8	62.0	87.3	162.1
Licence fee receivable (Note 25)	-	-	(3.5)	(3.5)
Tenant lease incentives (Note 4)	1.0	5.6	1.8	8.4
Property disposals	(0.6)	(88.7)	-	(89.3)
Change in fair value	(1.2)	(8.1)	9.4	0.1
Transfers of completed property	28.1	72.9	(101.0)	-
<b>Balance at 31 March 2021</b>	<b>147.4</b>	<b>636.0</b>	<b>104.1</b>	<b>887.5</b>
<b>Year ended 31 March 2020</b>				
Balance at 1 April 2019	33.2	451.2	27.1	511.5
Property acquisitions	71.8	105.2	92.2	269.2
Licence fee receivable (Note 25)	-	-	(2.1)	(2.1)
Tenant lease incentives (Note 4)	0.5	4.9	-	5.4
Property disposals	-	(19.7)	-	(19.7)
Change in fair value	1.8	9.2	34.4	45.4
Transfers of completed property	-	41.5	(41.5)	-

<b>Balance at 31 March 2020</b>	<b>107.3</b>	<b>592.3</b>	<b>110.1</b>	<b>809.7</b>
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The investment property has been independently valued at fair value by Knight Frank LLP, the Independent Valuer, and Cushman & Wakefield. Both are accredited external valuers 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 £938.4m at 31 March 2021 (31 March 2020: £914.0m) including capital commitments on forward funded assets.

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

#### Reconciliation of fair value to total portfolio valuation

	31 March 2021	31 March 2020
	£m	£m
Investment property at fair value	887.5	809.7
Capital commitments on forward funded assets (Note 23)	48.0	101.2
Vendor discount in respect of rent-free periods and top-ups	4.0	4.7
Licence fee receivable	2.7	1.9
Leasehold liability (Note 13)	(3.8)	(3.5)
<b>Total completed portfolio valuation</b>	<b>938.4</b>	<b>914.0</b>

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

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

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

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

#### Investment property at fair value

Valuation	Quoted prices in	Significant	Significant	Total
	active markets	observable inputs	unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	£m	£m	£m	£m
<b>31 March 2021</b>	-	-	<b>887.5</b>	<b>887.5</b>
31 March 2020	-	-	809.7	809.7

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 pa 31 March 2021 <sup>1</sup> £m	Passing rent pa range £m	Valuation 31 March 2021 £m	Valuation yield range %
Foodstores and essentials	10.6	0.0 - 0.9	209.4	3.3 - 7.3
Industrial	10.4	0.2 - 3.5	240.6	3.5 - 5.2
Hotel	10.0	0.1 - 1.8	178.4	4.5 - 6.5
Healthcare	6.1	0.0 - 1.0	106.0	5.2 - 6.2
Car parks	3.8	0.1 - 1.1	70.9	4.0 - 5.5
Pubs	2.7	0.1 - 0.3	37.4	6.5 - 6.9
Drive-thru coffee	1.9	0.0 - 0.1	35.7	4.2 - 6.0
Other	3.8	0.0 - 1.4	60.0	5.0 - 10.0
<b>Portfolio</b>	<b>49.3</b>	<b>0.0 - 3.5</b>	<b>938.4</b>	<b>3.3 - 10.0</b>

Sector	Passing rent pa 31 March 2020 £m	Passing rent pa range £m	Valuation 31 March 2020 £m	Valuation yield Range %
Foodstores and essentials	5.6	0.0 - 0.9	100.5	3.7 - 7.5
Industrial	13.4	0.2 - 3.5	277.8	3.8 - 5.8
Hotel	10.3	0.1 - 1.8	196.4	4.2 - 6.5
Healthcare	7.2	0.0 - 1.0	120.0	5.2 - 6.5
Car parks	3.6	0.1 - 1.0	75.2	3.9 - 5.3
Pubs	2.6	0.1 - 0.3	45.5	5.3 - 5.4
Drive-thru coffee	1.8	0.0 - 0.1	33.0	4.5 - 6.0
Other	3.9	0.0 - 1.4	65.6	5.0 - 8.0
<b>Portfolio</b>	<b>48.4</b>	<b>0.0 - 3.5</b>	<b>914.0</b>	<b>3.7 - 8.0</b>

1 Excludes assets that had exchanged but not completed as at 31 March 2021

*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 £m	+5% in passing rent £m	+25bps in net initial yield £m	-25bps in net initial yield £m
<b>31 March 2021</b>	<b>(46.9)</b>	<b>46.9</b>	<b>(45.3)</b>	<b>50.2</b>
31 March 2020	(45.7)	45.7	(43.5)	48.1

**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 2021 £m	31 March 2020 £m
Consideration received	96.4	20.9
Less:		
Carrying value	(89.3)	(19.7)
Selling costs	(0.8)	-
<b>Gain on disposal of investment property</b>	<b>6.3</b>	<b>1.2</b>
Add:		
Change in fair value recognised in previous periods	2.0	2.9

**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 £m	Fair value £m
<b>31 March 2021</b>	<b>186.6</b>	<b>197.6</b>
31 March 2020	166.1	186.3

**11. Trade and other receivables**

	31 March 2021 £m	31 March 2020 £m
Recoverable VAT	3.7	1.2
Licence fee receivable	3.1	1.1
Rent receivable	6.7	7.5
Prepayments and other receivables	0.2	0.3
<b>Amounts due within one year</b>	<b>13.7</b>	<b>10.1</b>
Rent receivable	0.4	-
<b>Amounts due in more than one year</b>	<b>0.4</b>	<b>-</b>

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 2021. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The expected credit loss provision as at 31 March 2021 is £0.1m (31 March 2020: £0.3m).

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

Trade and other receivables that are financial assets amount to £10.2m (31 March 2020: £8.6m) which comprises licence fee receivable and rent receivable.

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

	31 March 2021 £000	31 March 2020 £000
30 days or fewer	9.3	8.6
31 to 60 days	-	-
61 to 90 days	-	-
91 days or more	0.5	-
Over one year	0.4	-
	<b>10.2</b>	<b>8.6</b>

**12. Cash reserves**

	31 March 2021 £m	31 March 2020 £m
Cash at bank	83.8	13.2
Cash held by lawyers	3.3	0.2
<b>Total cash at bank</b>	<b>87.1</b>	<b>13.4</b>

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

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

**13. Trade and other payables**



	31 March 2021	31 March 2020
	£m	£m
Accrued investment property costs	2.2	2.2
Deferred rental income	7.2	7.3
Accruals	0.2	0.7
Trade and other payables	7.8	5.0
Corporation tax payable <sup>1</sup>	0.9	0.9
<b>Amounts due within one year</b>	<b>18.3</b>	<b>16.1</b>
Leasehold liability (Note 9)	3.8	3.5
<b>Amounts due in more than one year</b>	<b>3.8</b>	<b>3.5</b>

Trade and other payables that are financial liabilities amount to £14.0m (31 March 2020: £11.4m) which comprises accrued investment property costs, accruals, trade and other payables and the leasehold liability.

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 2020: £Nil).

#### 14. Bank borrowings

	Drawn	Undrawn	Total
	£m	£m	£m
<b>Year ended 31 March 2021</b>			
At beginning of the year	170.0	100.0	270.0
New facilities	-	-	-
Drawdowns	62.3	(62.3)	-
Repayments	(40.0)	40.0	-
<b>At end of the year</b>	<b>192.3</b>	<b>77.7</b>	<b>270.0</b>
Less: unamortised loan arrangement fees	(5.7)	-	(5.7)
	<b>186.6</b>	<b>77.7</b>	<b>264.3</b>
<b>Year ended 31 March 2020</b>			
At beginning of the year	170.0	-	170.0
New facilities	-	100.0	100.0
Drawdowns	-	-	-
<b>At end of the year</b>	<b>170.0</b>	<b>100.0</b>	<b>270.0</b>
Less: unamortised loan arrangement fees	(3.9)	-	(3.9)
	<b>166.1</b>	<b>100.0</b>	<b>266.1</b>

#### Maturity of bank borrowings

	31 March 2021	31 March 2020
	£000	£000
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	21.2	-
Repayable after 5 years	165.4	166.1
	<b>186.6</b>	<b>166.1</b>

At 31 March 2021, the Group's borrowings comprise the following three term loan facilities with Scottish Widows Limited and one RCF with Lloyds Bank plc:

#### Term Loans Facilities

- A fixed rate, interest only loan facility of £55.0m. The facility has an all-in rate of 2.74% pa, for the duration of the loan term and is due for repayment in December 2033 (31 March 2020: July 2029);
- A fixed rate, interest only loan facility of £40.0m. The facility has an all-in rate of 2.74% pa, for the duration of the loan term and is due for repayment in December 2033 (31 March 2020: July 2029);
- A fixed rate, interest only loan facility of £75.0m. The facility has a fixed all-in rate payable of 2.99% pa, for the duration of the loan term and is due for repayment in December 2033 (31 March 2020: December 2033).

On 2 November 2020, the Group restructured its three term loans, reducing the blended interest rate by 9 bps to a fixed 2.85% pa all-in rate, and extended the maturity of all loans to December 2033. The restructuring has resulted in a gain on refinancing of £1.9m.

#### RCF

- A revolving credit facility of £100.0m (of which £22.3m was drawn down as at 31 March 2021) with Lloyds at a 1.55% margin over Libor on a three-year term ending August 2022, with two one-year extension options. The Group has traded an interest

rate derivative to cap the interest on the £100.0m at a total of 2.95% for the three-year term. In June 2020 the Group exercised the first one-year extension option to August 2023.

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

#### Reconciliation of liabilities to cash flows from financing activities

	Year ended 31 March 2021	Year ended 31 March 2020
	£m	£m
Bank borrowings and leasehold liability at start of the year	169.6	167.3
<b>Cash flows from financing activities</b>		
Bank borrowings drawn*	62.3	43.2
Bank borrowings repaid	(40.0)	
Loan arrangement fees paid	(0.6)	(2.2)
<b>Non-cash movements</b>		
Amortisation of loan arrangement fees	0.7	1.0
(Decrease)/increase in restricted cash	-	(43.2)
Gain on refinancing	(1.9)	-
Increase in leasehold liability resulting from property acquisitions	0.3	3.5
<b>Bank borrowings at end of the years</b>	<b>190.4</b>	<b>169.6</b>

#### 15. Share capital

Shares of £0.01 each	31 March 2021 No. (million)	31 March 2021 £m	31 March 2020 No. (million)	31 March 2020 £m
At the beginning of the year	521.4	5.2	352.3	3.5
Issued during the year	100.4	1.0	169.1	1.7
<b>At the end of the year</b>	<b>621.8</b>	<b>6.2</b>	<b>521.4</b>	<b>5.2</b>
<b>Issued and fully paid</b>	<b>621.8</b>	<b>6.2</b>	<b>521.4</b>	<b>5.2</b>

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

On 15 March 2021 the Company issued 100.4 million ordinary shares at 124.5p per share (1p nominal value and a premium of 123.5p) for total consideration of £125 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	31 March 2021 £m	31 March 2020 £m
At the beginning of the year	423.2	229.3
Premium on issue of ordinary shares	124.0	197.9
Share issue costs	(2.7)	(4.0)
<b>At the end of the year</b>	<b>544.5</b>	<b>423.2</b>

#### 17. Dividends

Dividends paid and declared	£m
<b>Year ended 31 March 2021</b>	
Final dividend in respect of year ended 31 March 2020 at 1.4375p per share	7.5
First quarterly dividend in respect of year ended 31 March 2021 at 1.30p per share	6.8
Second quarterly dividend in respect of year ended 31 March 2021 at 1.35p per share	7.0
Third quarterly dividend in respect of year ended 31 March 2021 at 1.44p per share	7.5

<b>Total dividends paid</b>	<b>28.8</b>
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<b>Total dividend per share paid in the year</b>	<b>5.5275p</b>
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<b>Total dividend per share paid and proposed in respect of the year</b>	<b>5.55p</b>
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*Dividends in respect of the year ending 31 March 2021*

On 17 September 2020, the Company announced a first quarterly dividend in respect of the year ended 31 March 2021 of 1.30p per share which was paid on 16 October 2020 to shareholders on the register on 25 September 2020.

On 23 November 2020, the Company announced a second quarterly dividend in respect of the year ended 31 March 2021 of 1.35p per share which was paid on 30 December 2020 to shareholders on the register on 5 December 2020.

On 11 February 2021, the Company announced a third quarterly dividend in respect of the year ended 31 March 2021 of 1.44p per share which was paid on 26 March 2021 to shareholders on the register on 26 February 2021.

On 18 May 2021, the Board proposed a final dividend in respect of the year ended 31 March 2021 of 1.46p per ordinary share, payable to shareholders on the register at the close of business on 25 June 2021.

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

*Dividends in respect of the year ending 31 March 2020*

On 5 June 2019, the Company announced a first quarterly dividend in respect of the year ended 31 March 2020 of 1.4375p per share which was paid on 23 September 2019 to shareholders on the register on 14 June 2019.

On 26 November 2020, the Company announced a second quarterly dividend in respect of the year ended 31 March 2020 of 1.4375p per share which was paid on 20 December 2019 to shareholders on the register on 6 December 2019.

On 13 February 2020, the Company announced a third quarterly dividend in respect of the year ended 31 March 2020 of 1.4375p per share which was paid on 27 March 2020 to shareholders on the register on 6 March 2020.

On 15 May 2020, the Board proposed a final dividend in respect of the year ended 31 March 2020 of 1.4375p per ordinary share, payable to shareholders on the register at the close of business on 26 June 2020.

## 18. Leases

*The Group as lessor*

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

<b>Lease receivables</b>	<b>&lt; 1 year</b>	<b>2-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>31 March 2021</b>	<b>39.1</b>	<b>167.4</b>	<b>692.0</b>	<b>898.5</b>
31 March 2020	38.7	159.7	694.4	892.8

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

*The Group as lessee*

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

<b>Lease payables</b>	<b>&lt; 1 year</b>	<b>2-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>31 March 2021</b>	<b>0.1</b>	<b>0.4</b>	<b>13.6</b>	<b>14.1</b>
31 March 2020	0.1	0.3	13.3	13.7

The above is in respect of leasehold properties held by the Group. There are 30 properties (2020: 30) held under leasehold with

lease ranges from 99 years to 999 years.

The Group's leasing arrangements with lessors are headlease arrangements on land and buildings that have been sub-let under the Group's normal leasing arrangements (see above) to tenants. The Group carries its interest in these headlease arrangements as long leasehold investment property (Note 9).

## 19. Segmental information

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

The internal financial reports contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the consolidated financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA and alternative performance measures as disclosed in Notes 25 and 26 and the Additional Information.

The Group's property portfolio comprises investment property, diversified across eight 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 the Group had no tenant (31 March 2020: Nil) that is considered a major customer, contributing more than 10% of the Group's contractual annual passing rent. However, based on rental income recognised in the year, the Group had one tenant (31 March 2020: Nil) that contributed more than 10% of the Group's turnover. The Group's turnover is allocated to major customers as follows:

	31 March 2021		31 March 2020	
		£m		£m
Major customers	11%	3.8	0%	-
Other tenants (each less than 10%)	89%	30.6	100%	33.1
<b>Rental income from investment property (Note 4)</b>	<b>100%</b>	<b>34.4</b>	<b>100%</b>	<b>33.1</b>

## 20. Related party transactions

### *Transactions with the Board of Directors*

In respect of the year ended 31 March 2021 fees of £0.3m were payable to the Directors (31 March 2020: £0.2m) in the form of short-term employee benefits. Employers NI contributions were nil in the year (31 March 2020: nil).

Until 31 December 2019 the Directors' fees were settled by way of purchase of shares in the Company on the open market. Shares acquired by the Directors pursuant to this arrangement are subject to an 18-month Lock-in Deed. Since 1 January 2020 the Directors' fees have been settled in cash.

The following table summarises the number of ordinary shares purchased during the year by Directors, including the two purchases above, and the number of ordinary shares held at 31 March 2021:

		31 March 2021	31 March 2020
		Number	Number
Stephen Hubbard	Purchased	16,000	49,233
	<b>Held</b>	<b>185,389</b>	<b>169,389</b>
Colin Smith OBE	Purchased	25,000	49,097
	<b>Held</b>	<b>247,909</b>	<b>222,909</b>
John Cartwright*	Purchased	0	11,729
	<b>Held</b>	<b>66,687</b>	<b>66,687</b>
Jan Etherden	Purchased	20,000	13,032
	<b>Held</b>	<b>77,274</b>	<b>57,274</b>
Patricia Dimond	Purchased	26,149	-
	<b>Held</b>	<b>26,149</b>	-

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

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

### *Transactions with the Investment Advisor*

A fee of £4.4m was payable to the Investment Advisor in respect of the year (31 March 2020: £4.5m). At 31 March 2021, £0.5m was due to the Investment Advisor (31 March 2020: £0.4m) for provision of key management services.

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

- (a) One-twelfth of 0.75% per calendar month of market capitalisation up to or equal to £500 million; and  
 (b) One-twelfth of 0.65% per calendar month of market capitalisation above £500 million.

No performance fee is payable to the Investment Advisor.

## 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%
LXi Property Holdings 4a Limited*	Property Investment	UK	100%
Alco 1 Limited*	Property Investment	UK	100%
FPI Co 223 Limited*	Property Investment	UK	100%
LXi Cowdenbeath Limited*	Property Investment	UK	100%
SM Plymouth Hotel Limited*	Property Investment	UK	100%
Corby (General Partner) Limited*	Property Investment	UK	100%
Corby Rail Services Limited*	Property Investment	UK	100%
Corby Limited Partnership*	Property Investment	UK	100%
Corby (No.2) Unit Trust*	Property Investment	Jersey	100%
Grove Asset 8 S.A.R.L.*	Property Investment	Luxembourg	100%
LXi Spirit Limited	Property investment	Isle of Man	100%

\* Subsidiaries indirectly owned.

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

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

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

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

## 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 period a void period where no rents are received and additional re-letting costs. The quality of the tenant is assessed based on an extensive tenant covenant review scorecard prior to acquisition of the property. The assessment of the tenant credit worthiness is also monitored on an ongoing basis. Credit risk is assisted by the vast majority of occupational leases requiring that tenants pay rentals in advance. The Investment Advisor monitors the rent collection in order to anticipate and minimise the impact of defaults by tenants. Outstanding rent receivables are regularly monitored. The status of rents due on the March quarter date that were deferred is described in detail in the Going concern section of Note 1 to the financial statements.

## Liquidity risk

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

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

	< 3 months £m	3-12 months £m	1-5 years £m	> 5 years £m	Total £m
<b>31 March 2021</b>					
<b>Financial liabilities</b>					
Bank borrowings (Note 14)	-	-	22.3	170.0	192.3
Interest payable on bank borrowings	1.4	4.1	20.2	37.3	63.0
Trade and other payables	10.2	-	-	-	10.2
Lease payables	-	0.1	0.4	13.6	14.1
	<b>11.6</b>	<b>4.2</b>	<b>42.9</b>	<b>220.9</b>	<b>279.6</b>
<b>31 March 2020</b>					
<b>Financial liabilities</b>					
Bank borrowings (Note 14)	-	-	-	170.0	170.0
Interest payable on bank borrowings	1.2	3.7	20.0	31.2	56.1
Trade and other payables (Note 13)	8.6	-	0.9	1.9	11.4
	<b>9.8</b>	<b>3.7</b>	<b>20.9</b>	<b>203.1</b>	<b>237.5</b>

## Capital management

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

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

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

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

## 23. Capital commitments

At 31 March 2021 the Group had capital commitments of £48.0m (31 March 2020: £101.2m) 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 2021 the Group had contingent liabilities in respect of acquisitions for which contracts had exchanged but material conditions to completion remained outstanding as at that date of £53.8m (March 2020: £nil). All contingent liabilities are expected to fall due for settlement within one year from the date of this report.

## 25. Earnings per share

Earnings per share is calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Amounts shown below are both basic and diluted measures as there were no dilutive instruments in issue throughout the current or comparative periods.

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
<b>Earnings</b>	<b>39.9</b>	<b>73.6</b>
Weighted average number of ordinary shares (million)	526.1	485.4
<b>Earnings per share ("EPS")</b>	<b>7.6p</b>	<b>15.2p</b>

Adjustments to remove:

Change in fair value of investment property (0.1) (45.4)



Gain on disposal of investment property	(6.3)	(1.2)
Change in fair value of interest rate derivative	-	0.1
<b>EPRA earnings</b>	<b>33.5</b>	<b>27.1</b>
Weighted average number of ordinary shares (million)	526.1	485.4
<b>EPRA EPS</b>	<b>6.4p</b>	<b>5.6p</b>
Adjustments to include:		
Licence fees receivable	3.5	2.1
Amortisation of cash backed rental top ups and rent-free periods	2.2	1.3
<b>Adjusted earnings</b>	<b>39.2</b>	<b>30.5</b>
Weighted average number of ordinary shares (million)	526.1	485.4
<b>Adjusted EPS</b>	<b>7.5p</b>	<b>6.3p</b>
Adjustments to exclude:		
Gain on refinancing	(1.9)	-
Accretion of tenant lease incentives (Note 9)	(8.4)	(5.4)
<b>Adjusted cash earnings</b>	<b>28.9</b>	<b>25.1</b>
Weighted average number of ordinary shares (million)	526.1	485.4
<b>Adjusted cash EPS</b>	<b>5.5p</b>	<b>5.2p</b>

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

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

## 26. Net asset value per share

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

	31 March 2021	31 March 2020
	£m	£m
<b>Net asset value ("NAV")</b>	<b>781.4</b>	<b>648.0</b>
Number of ordinary shares (million)	621.8	521.4
<b>NAV per share</b>	<b>125.7p</b>	<b>124.3p</b>
Adjustments to calculate EPRA NTA	-	0.1
<b>EPRA NTA</b>	<b>781.4</b>	<b>648.1</b>
Number of ordinary shares	621.8	521.4
<b>EPRA NTA per share</b>	<b>125.7p</b>	<b>124.3p</b>

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

## 27. Post balance sheet events

### Dividends

- On 18 May 2021, the Board approved the quarterly dividend for the quarter ending 31 March 2021 of 1.46p per share, in line with the group's previously announced target.

### Acquisitions and disposals

The Group completed or exchanged contracts to acquire the following assets after the year end:

- an Asda foodstore in Clydebank, Glasgow with a 23-year unexpired lease term and five yearly RPI linked uplifts (exchanged prior to the year end and completed shortly after)
- a pre-let forward funding of a Lidl foodstore in East Ham, Greater London with a 25-year lease from build completion and five yearly RPI linked uplifts (exchanged prior to the year end and completed shortly after)
- a Tesco foodstore in Welling, Greater London with a 15-year unexpired lease term and five yearly RPI linked uplifts (exchanged contracts prior to the year end with completion expected Q2 2021)
- a pre-let forward funding of a Aldi in Glasgow with a 16-year lease from build completion and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)

- a Dobbies garden centre in Gloucester with a 35-year unexpired lease term and annual RPI linked uplifts (completed post year end)
- a Cazoo industrial asset in Doncaster with a 19.5-year unexpired lease term and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)
- a pre-let forward funding of a portfolio of 11 Costa drive-thru assets diversified across the UK with a 15-unexpired lease term and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)
- a substantial industrial facility in the Midlands with a 25-year unexpired lease term and five yearly RPI linked uplifts (completed post year end)

#### Debt extension

- The Company has received credit approval from a new lender and Lloyds Bank plc (the existing lender) to increase the existing RCF by an additional £65m, along with an uncommitted £65m accordion on the same terms as the existing facility agreement. The new lender will enter into the existing facility agreement alongside Lloyds Bank plc, subject to completion of satisfactory due diligence

## 28. Controlling parties

There is no ultimate controlling party of the Group.

## COMPANY STATEMENT OF FINANCIAL POSITION

Company number: 10535081

	Note	31 March 2021 £m	31 March 2020 £m
<b>Non-current assets</b>			
Investment in subsidiaries	4	597.7	597.7
Investment property	5	4.5	4.1
<b>Total non-current assets</b>		<b>602.2</b>	<b>601.8</b>
<b>Current assets</b>			
Trade and other receivables	6	41.0	25.7
Cash and cash equivalents	7	70.2	2.8
<b>Total current assets</b>		<b>111.2</b>	<b>28.5</b>
<b>Total assets</b>		<b>713.4</b>	<b>630.3</b>
<b>Current liabilities</b>			
Trade and other payables	8	98.5	103.6
<b>Total current liabilities</b>		<b>98.5</b>	<b>103.6</b>
<b>Total liabilities</b>		<b>98.5</b>	<b>103.6</b>
<b>Net assets</b>		<b>614.9</b>	<b>526.7</b>
<b>Equity</b>			
Share capital	10	6.2	5.2
Share premium reserve	11	544.5	423.2
Capital reduction reserve		62.1	90.9
Retained earnings		2.1	7.4
<b>Total equity</b>		<b>614.9</b>	<b>526.7</b>
<b>Net asset value per share - basic and diluted</b>	12	<b>98.9p</b>	<b>101.0p</b>

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 loss and total comprehensive income attributable to shareholders of the parent Company for the year amounted to £5.3m (31 March 2020: £5.5m).

The Company financial statements were approved and authorised for issue by the Board on [18 May 2021 and signed on its behalf by:

**Stephen Hubbard**

Chairman of the Board of Directors

## COMPANY STATEMENT OF CHANGES IN EQUITY

Capital

Year ended 31 March 2021	Note	Share capital £m	Share premium reserve £m	reduction reserve £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2020</b>		<b>5.2</b>	<b>423.2</b>	<b>90.9</b>	<b>7.4</b>	<b>526.7</b>
<b>Loss and total comprehensive income attributable to shareholders</b>		-	-	-	(5.3)	(5.3)
<b>Transactions with owners</b>						
Issue of ordinary shares in the year	10,11	1.0	124.0	-	-	125.0
Share issue costs	11	-	(2.7)	-	-	(2.7)
<b>Dividends paid in the year</b>	9	-	-	(28.8)	-	(28.8)
<b>Balance at 31 March 2021</b>		<b>6.2</b>	<b>544.5</b>	<b>62.1</b>	<b>2.1</b>	<b>614.9</b>

Year ended 31 March 2020	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2019</b>		<b>3.5</b>	<b>229.3</b>	<b>115.9</b>	<b>12.9</b>	<b>361.6</b>
<b>Loss and total comprehensive income attributable to shareholders</b>		-	-	-	(5.5)	(5.5)
<b>Transactions with owners</b>						
Issue of ordinary shares in the year	10,11	1.7	197.9	-	-	199.6
Share issue costs	11	-	(4.0)	-	-	(4.0)
<b>Dividends paid in the year</b>	9	-	-	(25.0)	-	(25.0)
<b>Balance at 31 March 2020</b>		<b>5.2</b>	<b>423.2</b>	<b>90.9</b>	<b>7.4</b>	<b>526.7</b>

## 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 2021. 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 2021, 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 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The Independent Auditor's report on the 31 March 2020 financial statements was unqualified, and did not contain statements under s498(2) or (3) of the Companies Act 2006.

The Company is registered in England and Wales under company registration number 10535081.

#### · 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 2020**

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

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Revised Conceptual Framework for Financial Reporting

These standards have been assessed to have no significant impact to the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

- Amendments to IFRS 3 "Business Combinations", definition of a business. Under the amendments of IFRS 3, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. An optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business has been added. The Directors have assessed the adoption of the amendment and interpretation does not have a material impact on the financial statements in the period of initial application. This is because the amendment narrows the definition of a business, however, subsidiaries acquired by the Group to date have all been treated as the acquisition of a group of assets rather than a business as there was not an integrated set of activities acquired in addition to the property. The Group does not intend to purchase any subsidiaries which incorporate anything other than an investment property.
- Amendments to IFRS 16 regarding Covid-19-related rent concessions were issued in May 2020, for annual reporting periods beginning on or after 1 June 2020. It permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The impact of this amendment is considered immaterial as the Group does not hold any material operating or leasehold agreements as lessee.

## 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 2021	31 March 2020
	£m	£m

At beginning of the year	597.7	384.6
Additions in the year	-	213.1
<b>At end of the year</b>	<b>597.7</b>	<b>597.7</b>

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

## 5. Investment property

	Freehold £m
<b>Year ended 31 March 2021</b>	
Balance at 1 April 2020	4.1
Change in fair value	0.4
<b>Balance at 31 March 2021</b>	<b>4.5</b>
<b>Year ended 31 March 2020</b>	
Balance at 1 April 2019	4.1
Change in fair value	0.0
<b>Balance at 31 March 2020</b>	<b>4.1</b>

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 2021 £m	31 March 2020 £m
Amounts due from subsidiaries	40.6	20.5
Recoverable VAT	0.4	5.1
Rent receivable	-	-
Prepayments and other receivables	-	0.1
	<b>41.0</b>	<b>25.7</b>

All amounts are due on demand and expected to be demanded and received within one year.

## 7. Cash and cash equivalents

	31 March 2021 £m	31 March 2020 £m
<b>Cash held at bank</b>	<b>70.2</b>	<b>2.8</b>

## 8. Trade and other payables

	31 March 2021 £m	31 March 2020 £m
Amounts due to subsidiary undertakings	97.7	101.9
Accruals and deferred income	0.3	0.7
Other creditors	0.5	1.0
	<b>98.5</b>	<b>103.6</b>

All amounts are due for payment within one year.

## 9. Dividends

	31 March 2021 £m	31 March 2020 £m
<b>Dividends paid</b>	<b>28.8</b>	<b>25.0</b>

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

## 10. Share capital

	31 March 2021	31 March 2020
	£m	£m
<b>Share capital</b>	<b>6.2</b>	<b>5.2</b>

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 2021	31 March 2020
	£m	£m
<b>Share premium</b>	<b>544.5</b>	<b>423.2</b>

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 2021	31 March 2020
	£m	£m
<b>NAV</b>	<b>614.9</b>	<b>526.7</b>
Number of ordinary shares (million)	621.8	521.4
<b>NAV per share</b>	<b>98.9p</b>	<b>101.0p</b>

## 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 (UNAUDITED)

In October 2019, EPRA issued new BPR for financial guidelines on its definitions of NAV measures: EPRA NTA, EPRA NRV and EPRA NDV. The Group has adopted these new guidelines and applies them in the Annual Report for the year ended 31 March 2021.

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

As at 31 March 2021	Current measures			Previous measures	
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA NAV £m	EPRA NNAV £m
Net asset value	781.4	781.4	781.4	781.4	781.4
Mark-to-market adjustments of derivatives	-	-	-	-	-



Fair value of debt	-	-	(5.3)	-	(5.3)
Real estate transfer tax	-	64.8	-	-	-
<b>At 31 March 2021</b>	<b>781.4</b>	<b>846.2</b>	<b>776.1</b>	<b>781.4</b>	<b>776.1</b>
Number of ordinary shares (million)	621.8	621.8	621.8	621.8	621.8
<b>Per share</b>	<b>125.7</b>	<b>136.1</b>	<b>124.8</b>	<b>125.7</b>	<b>124.8</b>

As at 31 March 2020	Current measures			Previous measures	
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA NAV £m	EPRA NNAV £m
Net asset value	648.0	648.0	648.0	648.0	648.0
Mark-to-market adjustments of derivatives	0.1	0.1	-	0.1	-
Fair value of debt	-	-	(15.9)	-	(15.9)
Real estate transfer tax	-	59.8	-	-	-
<b>At 31 March 2020</b>	<b>648.1</b>	<b>707.9</b>	<b>632.1</b>	<b>648.1</b>	<b>632.1</b>
Number of ordinary shares (million)	521.4	521.4	521.4	521.4	521.4
<b>Per share</b>	<b>124.3p</b>	<b>135.7p</b>	<b>121.2p</b>	<b>124.3p</b>	<b>121.2p</b>

## FINANCIAL INFORMATION

This announcement does not constitute the Group or Company's statutory accounts. The financial information for the year ended 31 March 2021 is derived from the statutory accounts for the same year, which will be delivered to the registrar of companies. The Independent Auditor's report on the 31 March 2021 financial statements was unqualified, and did not contain statements under s498(2) or (3) of the Companies Act 2006.

## ANNUAL GENERAL MEETING

In line with the requirements of the Companies Act 2006, the Company will hold an AGM of shareholders to consider the resolutions laid out in the Notice of Meeting. The Company's AGM will be held at the office of LXi REIT Advisors at 10 Old Burlington Street, Mayfair, London, W1S 3AG on 14 July 2021 at 11.00 a.m. There will be no presentation from the Investment Manager and the sole business of the meeting will be to propose the resolutions set out in the Notice of Meeting contained in the Annual Report and Accounts.

Under normal circumstances the Board would encourage shareholders to attend the Company's Annual General Meeting, however, in light of the continuing Covid-19 pandemic, the Company recommends that shareholders carefully consider whether it is appropriate to attend the meeting in person. The well-being of shareholders and service providers is a primary concern of the Directors of the Company. If necessary, in line with Government guidelines, attendance of shareholders may be restricted or prohibited.

Shareholders should monitor the Company's website: <https://www.lxireit.com/> and London Stock Exchange announcements for any updates regarding the AGM.

Alternatively, shareholders can contact the Registrar, Link Group, for updated information (please see Notes to the Notice of AGM for the Registrar's contact details). The Board would like to thank all shareholders for their continued support and understanding in these extraordinary times.

The Board asks that shareholders who have questions that they would have otherwise raised at the Annual General Meeting, should submit them by 25 June 2021 to the Company's email address, [info@lxireitadvisors.com](mailto:info@lxireitadvisors.com). Answers will be published on the Company's website following the meeting.

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