



Half Year Results

LXI REIT PLC

Released 07:00:03 24 November 2021

RNS Number : 3396T
LXI REIT PLC
24 November 2021

24 November 2021

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

LXI REIT plc

(the "Company" or the "Group")

INTERIM RESULTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2021

The Board of LXI REIT plc (ticker: LXI), the specialist inflation-protected very long income REIT, is pleased to report its results for the Group for the six-month period from 1 April 2021 to 30 September 2021.

Financial highlights

Alternative performance measures	30 September 2021	30 September 2020	Change (like for like)
Total NAV return	9.0%	-0.6%	+9.6pts
Dividend per share	3.00p	2.65p	+13.2%
Adjusted EPS	3.5p	3.3p	+6.1%
Total expense ratio (annualised) ¹	1.0%	1.0%	-
	30 September 2021	31 March 2021	Change (like for like)
Portfolio value ²	£1,216.6m	£938.4m	+4.9%
EPRA NTA per share (ex dividend) ³	134.0p	125.7p	+6.6%
Loan to value	25%	23%	-
IFRS performance measures	30 September 2021	30 September 2020	Change
Rental income	£25.4m	£20.3m	+25.1%
Operating profit before fair value changes	£21.0m	£17.6m	+19.3%
IFRS EPS	11.3p	-0.8p	
	30 September 2021	31 March 2021	Change
Investment property at fair value ²	£1,192.1m	£887.5m	+34.3%
Issue of ordinary shares in the period	£104m	-	
Net assets	£948.5m	£781.4m	+21.4%
NAV per share	135.5p	125.7p	+7.8%

- Total NAV return was 9.0% comprising NAV growth and dividends paid during the half-year. Since IPO, the Group has delivered an annualised total NAV return of 10.7% pa, well ahead of our 8%+ medium term target⁴
- Dividend per share in respect of the half-year totalled 3.0p per share (30 September 2020: 2.65p per share), which represents 13.2% growth on the half-year to September 2020
- Adjusted EPS for the half-year was 3.5p (30 September 2020: 3.3p), which represents growth of 6.1% on the half-year to 30 September 2020, and a rate of 1.1X the dividend per share
- Portfolio independently valued at £1,216.6m reflecting a six-month like for like uplift of 4.9% across the Group's assets. The growth was broadly spread across sub-sectors as follows, with detail of the key drivers given in the Investment Advisor's report:
 - Foodstores and essentials like for like growth of +5.3%
 - Industrial assets like for like growth of +7.3%
 - Hotels like for like growth of +2.0%
 - Healthcare like for like growth of +2.7%

- Car parks like for like growth of +3.0%
- Drive-thru coffee like for like growth of +2.3%
- Pubs like for like growth of +7.3%
- Garden centres like for like change of +4.2%
- EPRA net tangible assets ("NTA") per share (ex dividend)³ of 134.0p (31 March 2021: 125.7p), reflecting a half-year increase of 6.6%, predominantly driven by like for like portfolio growth
- Loan to value ("LTV") ratio of 25% (30 September 2020: 23%), with significant headroom to our medium-term borrowing policy cap of 35% and banking covenant of 50%
- Gross equity proceeds raised of £104m via the placing programme in July 2021

Portfolio highlights

- Acquired 44 separate properties during the half-year, for a combined purchase price of £248.6m (including forward funding commitments) and at an average NIY of 5.23%
- Sold one property during the half-year generating a geared IRR on disposal of 26% pa and at a price reflecting an exit NIY of 3.85%
- The portfolio now comprises 172 separate properties and is spread across 11 subsectors, having entered two new subsectors during the half-year in education and life sciences (on which more detail is given in the Investment Advisor's report)
- 96% of the contracted rents contain upward only index-linked rent reviews or fixed uplifts
- During the half-year, the Board has enhanced its own overview process to further integrate ESG factors such as energy efficiency and the ESG credentials of the tenant/use of the asset for acquisitions
- We are focussing on our reporting and the reduction of the portfolio's carbon footprint and our Climate Risk Working Group is developing asset management initiatives and carefully evaluating our policy towards new acquisitions
- Portfolio weighted average unexpired lease term ("WAULT") of 23-years to first tenant break option
- Portfolio 100% let, or pre-let, to a diverse range of almost 70 separate tenants, on full repairing and insuring ("FRI") leases (31 March 2021: 100%), avoiding exposure to void periods, cost leakage and capex requirements

Post period end highlights

Dividends

- The Board proposed and approved a dividend of 1.5p per share for the quarter ended 30 September 2021

Acquisitions and disposals

- The Group exchanged contracts to forward fund a Lidl grocery store and Lock n' Store self-storage unit anchored scheme in Basildon, Essex, with a total funding commitment of £19.5m, reflecting a 5.1% NIY
- The Group sold the parade of shops that was originally acquired ancillary to the Co-op portfolio purchased in 2020, generating proceeds of £0.6m, reflecting a £0.3m uplift on acquisition price

Debt

- The Group has full credit approval and is in the documentation stage to extend its revolving credit facility by an additional £65m commitment from Barclays Bank

Stephen Hubbard, Chairman of LXI REIT plc, commented:

"This has been a busy six-months, delivering substantial portfolio growth, an increased capital base and a strong total return performance. The Group's income and capital growth have produced a half-year total NAV return of 9.0%, and we are on track to meet our 6.0 pence per share dividend target for the full year.

We were delighted that new and existing shareholders supported our growth plans by subscribing for a further £104 million of equity during the half-year, increasing our market capitalisation to over £1 billion within five years of our IPO. Deployment of the net proceeds from the two capital raises under the Group's placing programme have provided value to our shareholders through accretive acquisitions diversified across a range of defensive and structurally supported sub-sectors and let to high-quality tenant covenants.

I am very pleased that the Investment Advisor continues to access deals at yields significantly wider than the investment market through its broad network of corporates and developers.

As inflation continues to rise in the UK, the Group's portfolio is well placed to deliver defensive inflation protection for our shareholders and indeed to benefit from this trend, with 96% of the portfolio either index-linked or containing fixed uplifts."

FOR FURTHER INFORMATION, PLEASE CONTACT:

LXI REIT Advisors Limited Simon Lee (Partner, Fund Manager) John White (Partner, Fund Manager)	Via Maitland/AMO
Peel Hunt LLP Luke Simpson/Liz Yong	020 7418 8900
Jefferies International Ed Matthews/Tom Yeadon	020 7029 8000
Maitland/AMO (Communications Adviser) James Benjamin	07747 113 930 lxireit-maitland@maitland.co.uk

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 2021³.

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

Company presentation for investors and analysts

A Company presentation for investors and analysts will take place today, 24 November 2021, via a live webcast and conference call at 8.30am GMT.

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

<https://www.investis-live.com/lxireit/618ced791bc06e0d004b85da/penr>

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

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

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 section of the Group's March 2021 Annual Report and in the Additional Information on page 95 of the Group's September 2021 Interim Report.

- 1 The annualised total expense ratio is calculated by multiplying the half-year operating costs under IFRS, presented as a percentage of the Group's weighted average NAV over the six-month period.
- 2 The portfolio valuation includes forward funding commitments and assets held for sale. A reconciliation between portfolio value and investment property at fair value and IFRS is included in Note 9 to the condensed consolidated financial statements.
- 3 The EPRA NTA per share (ex dividend) is stated after deducting the dividend of 1.5p per share in respect of the quarter ended 30 June 2021, that went ex dividend on 30 September 2021 and was paid on 29 October 2021.
- 4 These are targets and not profit forecasts.

CHAIRMAN'S STATEMENT

Dear shareholder

This report covers the six-month period from 1 April to 30 September 2021. The half-year saw the easing of lockdown restrictions and the gradual reopening in the UK. We are all learning to live with the Covid-19 virus and the ongoing restrictions are still having an impact on the economy.

As our understanding of the longer-term impact develops, I remain pleased with the way that we have responded. The Group has operated effectively within the UK Government's changing guidance throughout and has worked proactively to support and build stronger relationships with our tenants.

Our portfolio benefits from defensive and resilient characteristics, in particular a wide range of high-quality and well capitalised tenant operators and broad diversification of sub-sector exposures with a focus on non-discretionary uses. These characteristics have allowed the portfolio to deliver a robust performance since the onset of the Covid-19 pandemic in the UK.

It is reassuring that the Group has returned to the level of shareholder returns consistently delivered in the years prior to the pandemic. The Group delivered a total NAV return of 9.0% for the half-year (30 September 2020: -0.6%, 31 March 2021: 5.6%) and our share price has consistently traded at a premium to NAV. This will help us to continue to deliver on our longer-term ambition to achieve greater profitable scale, further diversification and liquidity for our shareholders.

We will continue to act prudently to protect and enhance the value of the portfolio, to deliver secure, inflation protected income returns and capital growth to shareholders going forward. We are also focussing on the portfolio's carbon footprint and our Climate Risk Working Group is working on asset management initiatives and carefully evaluating our policy on new acquisitions.

Half-year results and dividends

The Group delivered EPRA NTA growth of 6.6% (ex dividend) for shareholders during the half-year. The growth was primarily driven by:

- yield compression across the majority of our sectors;
- acquisitions in the period that were identified 'off market' through the Investment Advisor's wide corporate and developer networks, in particular through sale and leasebacks and forward fundings and have been valued ahead of purchase price;
- asset management initiatives that have upwardly managed our weighted average unexpired lease terms and thus increased the value of the properties; and
- the capitalisation of rental growth in the portfolio.

Rent collection remained at 100%, when adjusted for asset management initiatives described above and in detail in the Investment Advisor's report. Despite the UK Government having extended the moratorium on landlord forfeiture rights for non-payment of

commercial rents to 25 March 2022, the re-opening of all of our assets has removed the key driver of risk associated with rent recovery.

We have been pleased to propose two quarterly dividends of 1.50p per share in respect of the half-year. These two dividends are in line with our annual target for the financial year of 6.0p per share¹.

The dividends were fully covered by the Group's Adjusted EPS in the period of 3.5p (Note 25), and 0.9X covered by the Group's Adjusted cash EPS of 2.6p (Note 25), which removes accretion of tenant lease incentives (Note 4). The Company has increased its capital base by more than a third in 2021, raising £229m of equity and, having fully deployed the proceeds, expects to return to full cash cover on the dividend in the second half of the year.

The Company's shares continued to recover well from stock exchange volatility in early to mid-2020 and the ensuing impact of the pandemic on the Group's portfolio. The Company has delivered a total shareholder return since IPO, assuming dividends reinvested, of 70%, equating to a 12.3% annualised rate of return.

We were delighted that existing and new shareholders supported the Company to raise gross proceeds of £100m pursuant to the Company's placing programme and approximately a further £4m of gross proceeds pursuant to the PrimaryBid offer for retail investors, as announced on 1 July 2021.

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

¹ These are targets and not profit forecasts

Environmental, Social and Governance

ESG matters remain high on the Board's agenda and we recognise both the risk and the opportunities presented.

We are reassured that 82% of our portfolio has an EPC rating of A to C (English equivalent)¹, and that 93% 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. More detail as to how the Group's portfolio benchmarks against all UK property can be found in the ESG report.

The Company is exploring opportunities with its stakeholders to enhance the energy efficiency of its less well performing assets to ensure that its entire portfolio complies with the growing need for buildings to demonstrate low carbon credentials to retain their prime investment rating and avoid any potential future obsolescence issues as markets continue to develop in this area

During the half-year, the Board has enhanced its own overview process to integrate ESG factors such as energy efficiency and the ESG credentials of the tenant/use of the asset for acquisitions.

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

As a Company, we are committed to diversity and inclusion. Our aspiration is to have a Board and a business that is representative of society and our wider stakeholder groups, to best serve their interests. Currently, the Group's Board comprises three male and two female Directors and the Investment Advisor currently comprises 56% male and 44% female employees.

The Board has begun a process, with the assistance of an external search consultancy, to identify candidates to be an additional Non-Executive Director of the Company. We are looking for a candidate to provide further expertise and diversity, as well as succession planning.

¹ Including assets that are exempt from EPC ratings and assets in the course of construction that are expected to obtain an A or B rating

Outlook

The outlook for the UK economy is increasingly positive and the Government has announced its winter plan for the UK stating the main line of defence as vaccine and not lockdown. The replacement of restrictions with guidance and advice will undoubtedly assist our tenant stakeholders, in particular the hotel and pub operators.

We continue to see a polarisation in cap rates in long income valuations, with those sectors worst impacted by Covid-19 yet to recover fully. The strong trading over the summer months for hotel and pub operators should help to improve investor confidence and there remains the potential for further recovery in these asset valuations.

Recent equity raises have allowed us to enhance diversification through acquisitions and to dilute certain exposures, increasing the defensive characteristics that have supported the Company's resilience throughout the pandemic. There remains the potential for us to compound the recovery growth that we expect to benefit the portfolio by capital recycling, active asset management and rental growth.

The prospect of increasing inflation is beginning to concern investors, with RPI now forecast to exceed 4% for 2021. The Group's portfolio is well placed to deliver inflation protection for investors with 96% of the portfolio's rent reviews linked to UK inflation or containing fixed uplifts (58% RPI, 17% CPI and 21% fixed).

The Board, along with the Investment Advisor, have communicated with our shareholders and are pleased for their support for the Company's continued growth agenda.

I thank both the Board and the Investment Advisor for their continued work in the half-year. Going forward we remain focused on managing both the risks and opportunities around ESG and that the pandemic is creating, to provide a secure and growing income return to our investors whilst enhancing and unlocking sustainable value in our defensive, resilient portfolio.

Stephen Hubbard

Chairman

23 November 2021

INVESTMENT ADVISOR'S REPORT

This report covers the half-year from 1 April to 30 September 2021. Certain statistics and KPIs are alternative performance measures for which definitions are given in the Key performance indicators and EPRA performance measures sections or otherwise included in the Glossary of the Group's March 2021 Annual Report and in the Additional information section on page 95 of the Group's September 2021 Interim Report.

Portfolio overview

The Group's portfolio comprises of 172 properties across 11 sectors and multiple underlying uses, let on long leases to almost 70 separate tenant operators.

The Group's lease arrangements provide contracted annual rent of £62.8m and have a long-weighted average 23-years to first tenant break, with 96% 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 30 September 2021 at £1,216.6m, representing strong like for like growth of 4.9% over the six-month period. The valuation reflects a blended net initial yield of 4.6% (31 March 2021: 4.9%) and an average valuation of £7.6m for the individual assets.

Sector exposures

The portfolio is well-diversified by sub-sector and our multi-sector strategy both provides downside protection and offers a broader universe of assets in which to deploy capital. This affords us flexibility to adapt our portfolio to external factors such as changing consumer behaviour, and to pivot towards sectors where we expect the best returns for our shareholders over both the short and the longer-term.

The Group's sector weightings, including asset acquisitions for which contracts have exchanged but have not yet completed, are as follows:

Foodstores and essentials - 20%

Foodstores and essentials have continued to perform well, delivering a like for like valuation uplift of 5.3% in the half-year, predominantly through market yield compression. This was driven by the enhanced attraction of this sector to investors, which combines an attractive range of financially strong and mature tenant covenant operators with a robust non-discretionary use.

During the half-year, we sold a Lidl foodstore that we had previously forward funded. Details of the disposal are given in the Acquisitions and disposals section below. The exit price reflected a net initial yield of 3.9% for the purchaser on the passing rent, assuming 6.8% purchase costs. This exit yield shows just how robust the investment market is for foodstores, and that has driven our strong like for like performance.

Through our strategy for forward funding developers to build brand new rack rented assets that are pre-let, in the past 12 months we have continued to acquire foodstores, deploying over £160m into this sector at a net initial yield of 5.3% on average. This demonstrates our continuing ability to achieve value for our shareholders, through relationship-led forward funding deals, despite the broader market pushing yields down below levels that would be accretive to our dividends.

Industrial - 19%

Industrial asset valuations have performed strongly in the half-year delivering like for like growth of 7.3%, predominantly through market yield compression. The increased reliance by operators on their logistics and fulfilment networks for trading has driven up demand for property in strong industrial locations and industrial assets have outperformed other asset classes consistently for the last five years, as occupiers continue to adapt to new consumer behaviour.

The performance of our industrial assets is underpinned by the strategic importance of the properties to our operators and in particular their attractive locations with good connectivity and drive time penetration.

Industrial investment volumes in Q2 2021 in the UK were the highest investment total on record for the sector and take up for H1 2021 was double that of the previous year.

Hotels - 16%

The hotel sector, in particular the budget sub-sector, has shown positive signs of recovery following the easing of lockdown restrictions in the UK and our assets delivered like for like growth of 2.0% over the half-year. The investment market has picked up and has now returned to pre-Covid-19 levels for Premier Inn assets resulting in a tightening of cap rates. Travelodge valuation yields have held over the six month period.

The Group also benefited from an uplift in the value of its Jurys Inn hotel in Plymouth, following a re-gear of the lease to 26 years in consideration for the small, short-term assistance through rent concessions granted to the tenant during lockdown periods.

Operators saw a significant boost in occupancy during weekdays and significantly higher peaks at weekends following the reopening of hotels to leisure use (with business and other essential uses permitted throughout lockdowns since July 2020) and the summer months provided a welcome boost to trading.

The key operators in the budget hotel sectors have all returned to positive EBITDA with the peak period in RevPAR performance for regional hotels between June and September. The full lifting of social distancing restrictions, including the return to the office, was also positive for the hospitality industry and we look forward to seeing growth in the investment market and expect further transactional evidence to support value growth in the remaining half of the year.

The success of the UK-wide vaccination rollout and significantly relaxed self-isolation conditions, combined with built-up savings and strong demand, is fuelling strong growth in consumer spending, which bodes well for UK hotel trading for the remainder of 2021.

Healthcare - 10%

Our healthcare assets have performed resiliently in the half-year with like for like growth of 2.7%, split broadly evenly between rental growth through index-linked rent reviews in the half-year, and yield compression. The vaccination programme has led to a rebound in occupancy in the second quarter of this year, with cap rates on course to return to pre-pandemic levels.

Occupancy rates across the sector improved slightly to around 80% in Q2 2021, but remain behind the pre-pandemic levels of around 88%, but increasing uptake and the supply of vaccinations to all care homes suggests we can be optimistic regarding additional occupancy recovery in H2 2021.

Healthcare investment in H1 2021 was significantly lower than in H1 2020 with investors cautious as they await a bounce back in operational performance as well as a paucity of stock, which resulted in fewer transactions. We are beginning to see investors seeking opportunities through unsolicited approaches and the Group experienced this through interest in our own healthcare assets during the half-year.

In particular, we are seeing an increase in demand as a result of the emergence of European REITs as investors in UK Healthcare assets.

Car parks - 6%

Car park values also saw a 3.0% like for like increase in the half-year, driven by RPI linked rent reviews across all but one of the Group's car park assets, with cap rates holding firm over the six-month period.

Overall, the investment market in this space remains subdued because of the sharp decline of car park occupation since the onset of Covid-19.

Buoyed by the reopening trend, we expect to see our operators reporting an uptick following improved trading conditions over the summer months, allowing a return to positive earnings for operators. Operators are targeting occupancy levels to increase up to 85%-90% by Q4 2021, which represents a sustainable level of trade.

The Group's car park tenant Q-Park has a well-capitalised and liquid balance sheet and continues to meet all of its obligations as they fall due.

Life sciences - 5%

During the half-year, the Group acquired its first life sciences asset, taking exposure to the sector to 5%. Increasing research and development activity by private entities as well as the public sector, with Government spending increasing at a significant pace, has increased occupier demand for life science properties and in the longer-term this trend looks set to continue.

The fundamentals in this sector are imbalanced, a very limited supply of appropriate properties as many buildings are unsuitable for life science requirements and planning issues often restrict new development.

As an asset class, life sciences properties are seeing a growing investment market looking to capitalise on valuation shifts, underpinned by the sector fundamentals. The sector also provides strong ESG credentials to investors with an underlying investment that addresses issues such as virus and disease treatment and prevention, food shortages, and reducing and reversing our impact on the environment.

This has been evidenced by the weight of capital and the volume of deals in this sector in recent months, and the potential entry of sector specialists to the market, which should bode well for property values going forward.

Garden Centres - 5%

Garden centres were previously classified within essentials (above), but with exposure reaching 5% following acquisitions in the half-year, we now disclose performance and exposure separately. Like for like growth in the sector was 4.2% in the half-year, split evenly between rental growth following RPI linked rent reviews on two of the assets, and the remainder from a slight tightening of the yields.

Trading continues to benefit from recent social trends, including the boom in experience-led leisure visits to garden centres, and in particular modern buildings, as well a growing awareness of the positive environmental benefits of home grown food and the wider mental health benefits of gardening, and the sector itself continues to grow in the UK, counter to trends in other retail.

Drive-thru coffee - 4%

Drive-thru coffee assets delivered 2.3% like for like growth over the half-year, driven by yield compression in the sector. The key operators in the sector continue to see this as an area of growth focus with the properties benefitting from prominent locations with good visibility and footfall in the car parks of Morrisons stores that trade well.

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

Pubs - 4%

Our pub assets delivered a like for like increase in value of 7.3% over the half-year. The growth was largely driven by accretive re-gears on six of our Greene King pubs during the half-year.

Rents on these assets were reduced by 10%, with 75% of the new rent paid in the first two years, and lease lengths increased to 20 years. This resulted in a 75 bp cap rate compression on those pubs. The remaining movement was market yield compression.

Our only tenant in the pub space is Greene King who remains a strong covenant and market leading operator with significant liquidity. Greene King has paid all rent due in the period.

Education - 3%

Following the off-market sale and leaseback acquisition of a portfolio of 23 nursery schools in England during the half-year, the Group now reports on exposures to and performance of its Education sector assets separately, which currently constitute 3% of the Group's assets by rent.

The education sector provides an attractive investment opportunity for the Company, due to the significant rent cover demonstrated at an asset level (c.2.75X across the portfolio) meaning that investment values are materially underpinned by vacant possession value. There are also many potential alternative operators in the sector, that would be attracted to such a profitable portfolio.

Income in the sector itself benefits from a significant element of Government funding with 15 hours per week of nursery age education Government funded for all children and 30 hours per week Government funded for lower income households.

Demographic and societal changes resulting in more single parent households, fewer multi-generational households and a greater number of households where both parents work full time, have created strong demand for nursery places

Acquisitions and disposals

Shortly before the half-year, in March 2021, the Group raised new equity capital totalling £125m via an open offer and 12-month placing programme. The Group subsequently raised a further £104m of new equity capital via the placing programme in July 2021. The Group also extended its revolving credit facility with Lloyds Bank plc by £65m, bringing in RBSi as a new lender (see below), to gear the initial proceeds of the placing.

Having deployed some of the equity capital prior to the half-year, the Group deployed or committed the remaining equity capital and debt during the half-year, acquiring 44 separate assets, through a mix of forward fundings, sale and leasebacks and built asset purchases and which were acquired at a blended NIY of 5.23%, net of actual purchase costs. The assets acquired during the half-year were:

- an Asda foodstore in Clydebank, Glasgow with a 22-year unexpired lease term and five yearly RPI linked uplifts
- a Cazoo logistics asset in Doncaster, Yorkshire, with a 19-year unexpired lease term and five yearly CPI linked uplifts
- a sale and leaseback acquisition of a logistics site let to BCA in Corby with a 25-year unbroken lease and five yearly RPI linked uplifts
- a Tesco foodstore in Welling, Greater London with a 14-year unexpired lease term and five yearly RPI linked uplifts
- a Dobbies garden centre in Gloucester that was re-gearred on acquisition (see below) with a new 35-year unbroken lease and annual RPI linked uplifts
- a brand new Aldi-led scheme in Glasgow with a 15-year unbroken lease to Aldi with five yearly RPI linked uplifts and a 16 year weighted average unexpired lease term across the ancillary assets
- a Biffa recycling facility in Aberdeen with a 14-year unexpired lease term and annual CPI linked uplifts
- a pre-let forward funding of a Lidl in East Ham with a 20-year unbroken lease term from build completion and RPI linked uplifts
- a broadcasting studio and office let to STV (formerly Scottish Television) in Glasgow with a 20-year unexpired lease term and five yearly fixed uplifts of 1.5% per annum compounded
- a portfolio of 23 nursery assets diversified across the UK with a 30-year unexpired lease term and annual RPI linked uplifts
- a life sciences biotech campus in York with a 25-year unexpired lease term and five yearly RPI linked uplifts
- a sale and leaseback acquisition of a Dobbies garden centre in Reading with a 35-year unexpired lease term from build completion and annual CPI +1% linked uplifts (completion expected in Q4 2021 and not included in the September 2021 valuation)
- a pre-let forward funding of a portfolio of 10 Costa drive-thru assets across the UK with 15-year unbroken lease terms and five yearly RPI linked uplifts (completion expected Q4 2021 and not included in the September 2021 valuation)

The Group regularly recycles capital to refresh the portfolio and manage exposure. To date, these disposals have enhanced income and capital growth. During the half-year, the Group completed the disposal of a foodstore asset let to Lidl in Chard for £7.8m, crystallising a 26% geared IRR and realised a gain on disposal of £2.1m versus book value.

In the previous financial year, the Group acquired a portfolio of Co-ops, one of which had ancillary retail units connected. The allocated cost of the retail units was £0.3m, on acquisition. During the half-year, the Group exchanged contracts to sell these ancillary units and completed the disposal shortly after the half-year. The disposal generated proceeds of £0.6m and reflecting a £0.3m uplift on acquisition price.

Asset management

The Investment Advisor constantly reviews the portfolio for opportunities to unlock further value for our shareholders and to enhance the security of our income. During the half-year, the Group executed the following accretive lease re-gears:

- The Group extended six of its leases to Greene King by seven years, to 20-year unbroken lease terms. In consideration for the extension, rents were reduced by 10% on the assets with a nine-month rent free period, divided over a three separate years (one quarter per year)
- The Group extended its lease to Jurys Inn by five years, to a 26-year unbroken lease term. The extension was granted by Jurys in consideration for the short-term rent concessions that the Group had granted the Company during the Covid-19 lockdown periods in which the hotel could not trade
- When the Group identified the potential acquisition of the Dobbies garden centre in Gloucester, through our existing relationship with the tenant we negotiated an immediate re-gear of the lease, to reduce the rent (to the current level implicit in the 5.6% NIY on acquisition) providing enhanced rent cover for the tenant, extending the lease term to 35-years unbroken and converting the rent review to CPI+1%, capped at 4% pa and collared at 1.5% pa.

Forward fundings

At the reporting date, the Group has nine assets in the course of development. Seven are expected to complete in the current financial year to 31 March 2022. The two remaining assets are expected to complete in the financial year to 31 March 2023 and 31 March 2024, respectively.

To date, the Group's ability to forward fund has contributed materially to the returns delivered to our shareholders, and through this method we are able to achieve a material valuation uplift on purchase (compared to built values) whilst eliminating the significant development risks.

The Group only forward funds assets that are pre-let on long leases to tenants, and where full planning has already been granted before acquiring the land and executing the development contract. Throughout the build period, the Group receives a coupon from the developer akin to the net initial yield on acquisition, to ensure that there is no void period and the asset produces an income return from day one.

During and since the half-year, the Group achieved practical completion on the following three developments:

- in April 2021, a hotel let to Travelodge in Sandwich with a new 25-year unexpired lease and five yearly CPI linked uplifts
- in September 2021, a foodstore let to Co-op in Ellistown with a new 20-year unexpired lease and five yearly CPI linked uplifts
- in October 2021, a hotel let to Premier Inn in Romford with a new 25-year unexpired lease and five yearly CPI linked uplifts

Inflation and rent reviews

Since the reopening of the UK economy, inflation has begun to pick up significantly and CPI averaged 3.1% pa and RPI averaged 4.9% pa in September 2021. The Group's 27 contracted rental uplifts in the period reflected average growth of 2.9% pa.

The Group's portfolio is 96% index linked or contains fixed rental uplifts, which breaks down between RPI 58%, CPI 17% and fixed 21%. The Group's fixed uplifts average 2.3% pa. Of the Group's portfolio 51% of the rents are subject to collared uplifts, which average 1.3% and 66% are subject to capped uplifts, which average 3.8% and we therefore expect to capture the vast majority of inflation over the medium-term, but are also well protected against lower inflationary periods.

The portfolio's rent reviews are either on annual (38%) or five-yearly (62%) cycles, and over the following five year period the Group expects the following percentage of rental income to review in each financial year:

Year ending 31 March	Annual	Five-yearly	Total
H2 2022	13%	6%	19%

2023	38%	10%	48%
2024	38%	10%	48%
2025	38%	19%	58%
2026	38%	8%	46%

Linking rental growth in the Group's portfolio to indexation seeks to provide investors with inflation protection, whilst also capitalising on the traditional faster pace of inflation in the UK beyond commercial real estate open market rents.

In theory, this could lead to overrenting, but we have addressed this (a) by setting very low - often lower than market - rental levels at the start of the lease, (b) through our strategy of capital rotation, and, to some extent, (c) through the caps in the reviews mentioned above.

Financial results

Total NAV return

	30 Sep	30 Sep
	2021	2020
Half-year total NAV return	9.0%	-0.6%

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

EPRA NTA

	30 Sep	31 Mar
	2021	2021
EPRA NTA per share (ex dividend)	134.0p	125.7p

During the six-months, the Group's EPRA NTA increased by 6.6% (ex dividend), reflecting market yield compression across some sectors, rental growth through index linked rent reviews and the value achieved through asset management initiatives.

The assets acquired during the period also provided value growth through forward funding at a discount to built values and 'off market' sale and leasebacks.

Dividend per share

	30 Sep	30 Sep
	2021	2020
Half-year dividend per share	3.00p	2.65p

In respect of the half-year, the Company has proposed dividends totalling 3.0p per share. The dividend per share reflects an increase of 13% on the previous half-year, which was impacted by a reduction in the Group's rent collection during the first UK lockdown.

Total expense ratio

	30 Sep	30 Sep
	2021	2020
Total expense ratio (annualised)	1.0%	1.0%

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

Basing the fee on market capitalisation brings a degree of responsiveness to our cost base, meaning that it is aligned with our share price. The counter to this is that there is a slightly higher degree of volatility in our cost base as it moves with the market.

We operate stringent capital discipline on all of the Group's costs and use the best quality counterparties to ensure that income is passed on to our shareholders and that we have a market leading total expense ratio.

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

Loan to value

	30 Sep	31 Mar
	2021	2021
Pro-forma LTV	25%	23%

In the medium-term, in line with our conservative leverage policy, our LTV is expected to reach and be maintained at approximately 30%. This will follow a near-term extension of £65m (that has received full credit approval), drawing and deployment of the Group's RCF into our immediate pipeline of accretive assets.

This level of target LTV provides significant 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%.

The Group's current debt pool is secured against the majority of the Group's investment properties and comprises three term loan facilities with a blended security pool and a revolving credit facility with a self-contained security pool. There is no cross collateralisation between the term loans and the RCF.

A summary of the facilities is included below:

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 and RBSi	£165m	1.55% margin	Aug 2024 ¹
<i>Credit approved facility</i>				
RCF (uncommitted)	Barclays Bank	£65m	1.55% margin	Aug 2024 ¹

The three term loan facilities were chosen because of their long-dated maturity, to take advantage of the low interest rate environment. The term loans have a weighted average fixed interest cost of 2.85% pa and mature continuously in 12 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 was extended by £65m committed by RBSi during the half-year, who entered the facility agreement as an additional lender. We have also had full credit approval from Barclays Bank and are in the documentation stage to enter the facility on the same terms as the current lenders providing an additional £65m. The extension is expected to complete in Q4 2021. This extension will be deployed into the Group's advanced pipeline of additional assets in due course that are expected to take LTV to 30%.

The Group's RCF carries a cost at 155 bps margin to three-month SONIA 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
- debt drawing to match developers' funding requests on forward funding projects, ensuring that interest is only suffered to the extent that a return is being generated on those drawdowns through licence fee arrangements.

The Group renegotiated the terms of the interest to transition to SONIA from LIBOR. This transition had no material effect.

The Group has used derivatives to cap the interest cost of the RCF at 2.95% pa.

The Investment Advisor regularly reviews the Group's financing arrangements and considers options for refinancing. Our consideration focusses on what timing and structure of a refinancing arrangement would provide maximum accretion of earnings, maintenance of a gearing level within the Company's conservative borrowing policy and provide operational flexibility to the Investment Advisor in executing its investment strategy.

¹ Assumes extension options are exercised

Outlook

At the reporting date, the Group had exchanged on assets totalling £50m, excluding purchase costs, that we expect to complete in Q4 2021. We also expect to extend the Group's revolving credit facility as described above, taking the facility size to £230m and to deploy the new debt capital into our immediate pipeline of assets that are in solicitors' hands.

The Group has £31.2m of costs to complete on its ongoing forward fundings that will increase the Group's income, without impacting NAV and thus contribute directly to the Group's earnings, net of finance costs only, as they reach practical completion, providing significant embedded income growth over the next 12-24 months, even without allowing for rental growth.

We continually build our pipeline through relationship driven forward funding opportunities with developers and off-market sale and leaseback opportunities with corporates and we are still able to transact at attractive pricing compared to built asset deals that we see marketed. Our pipeline assets have the potential to provide further organic growth whilst being accretive to the Group's earnings and medium-term total return targets.

Crucially, we also continue to see tenant operators willing to take long term (20+ year) index linked leases with index-linked rents. These opportunities generally exist where certainty is a requirement due to the strategic importance of an asset and/or where significant competition exists amongst tenants in the sector.

Much of our recent pipeline has been in the Group's newer sectors, education and life sciences, that are relatively immature in terms of the long income property investment market. As such, we believe that these sectors are likely to see significant yield compression as they mature in the medium term and new investors enter the market, increasing competition for these assets.

We also see significant opportunities in those sectors that still demonstrate positive long-term fundamentals but were more impacted by Covid-19 where yields remain impacted, but tenant covenants remain financially robust. These assets are available at attractive yields but have the potential for significant growth as the economy reopens and recovers.

There remains the potential for the tightening of valuation yields on our own assets in those sectors that saw more significant operational disruption during the UK's lockdowns, and as a result saw reduced levels of investment activity in their sectors. As we see volumes begin to pick up this should contribute to further NAV growth.

With RPI inflation expected to be 3.2% in 2021 and 4.1% in 2022 (The HM Treasury Forecasts for the Economy (Medium-term forecasts, August 2021), the portfolio possesses the potential for significant rental growth in the short term and the Group's long weighted average unexpired lease term suggests that the vast majority of our inflationary rent reviews will be capitalised to provide future NAV growth.

We continue to evaluate our portfolio for opportunities to unlock further value and extend lease terms by working closely with our tenants to build mutually beneficial relationships.

The Group's high-quality portfolio regularly attracts 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 and grow value for our shareholders.

We remain cognisant of the risk and potential impact of changing Government measures to address the rising number of cases of Covid-19 in the UK. We continue to closely monitor the financial performance and robustness of our tenant operators and to regularly communicate with them and are reassured by the way they have responded and continue to operate successfully in the current environment.

For and on behalf of the Investment Advisor

Simon Lee	Frederick Brooks
Director	Director
LXi REIT Advisors	LXi REIT Advisors
23 November 2021	23 November 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Statement

The Group conducts its investment business in a socially responsible way. We recognise that many stakeholders of the Company

both share and benefit from this and we therefore seek to execute our investment strategy whilst contributing positively, or at the lowest practical cost, to society and the environment.

Environmental

In the financial year ended 31 March 2021, our Climate Risk Working Group ("CRWG") established the longer-term environmental strategy and goals for LXI REIT and set medium-term targets against which to measure and report performance and short-term initiatives to achieve those targets.

We have made significant progress in the half-year, and this report covers our performance against the targets set, and our ambitions and expectations for the next six months and beyond.

The Group's three longer-term goals are:

- To integrate climate-related matters into the Company's investment process
- To develop a route map to deliver a science-based carbon neutral target for the business
- To provide investors and our wider stakeholder group with relevant and comparable disclosure relating to ESG matters

For each of these long term goals, we have defined a set of initiatives that we would aim to have completed prior to our March 2022 Annual Report, to report progress.

Below we provide an update on each of these action initiatives

Action	Responsibility	Target timing	Update	Status
<i>General action</i>				
Include climate-related issues as a standing agenda point at quarterly Board meetings going forward	Board of Directors	May 2021	Standing agenda point added to all Board meetings	Complete
<i>To integrate climate-related matters into the Company's investment process</i>				
Complete a materiality assessment to identify activities according to the materiality of the various ESG-related issues	Climate risk working group	September 2021	The materiality assessment was performed and is detailed below	Complete
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	Climate risk working group	September 2021	The new ESG policy has been published on the Company's website and is available from the Investment Advisor on request	Complete
Discuss with the Board and the Investment Advisor the integration of the new policy into the Company's investment process and the best mechanism to facilitate this	Climate risk working group	September 2021	Outcome of the discussion is detailed below	Complete
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 policy	Investment Advisor - Joint Fund Managers	September 2021	Compliance with relevant sections of the enhanced ESG policy are demonstrated and confirmed in Board acquisition reporting	Complete
Instruct external consultants to provide an updated EPC report for all assets that do not	Investment Advisor - Asset Management Team	September 2021	Refer to EPC ratings section below for comprehensive update and the	Complete

have an accurate and relevant EPC rating and are legally required to do so to improve reporting in this area			final section of this report which includes the detailed analysis	
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	Refer to EPC ratings section below for comprehensive update and the final section of this report which includes the detailed analysis	Complete
Instruct decarbonisation reports by external consultants on all assets with an EPC rating of D or lower	Investment Advisor - Asset Management Team	September 2021	Refer to Decarbonisation of assets section below	In progress
<i>To develop a route map to deliver a science-based carbon neutral target for the business</i>				
Set reporting boundaries that will allow the CRWG to assess the current carbon footprint	Climate risk working group	September 2021	Refer to reporting boundaries section below	Complete
Appoint external consultants to assess the carbon footprint and form a carbon neutral plan	Investment Advisor - Operations team	September 2021	We have appointed a specialist Real Estate ESG consultant to support us on building a carbon neutral plan	Complete
Report on the carbon footprint of the Group's current reporting boundaries	Investment Advisor - Finance team	March 2022 Annual Report	The Group is in the process of collating sufficient baseline data of current emissions	In progress
Move all energy provision in the landlord-controlled areas to companies that provide green tariffs (renewable energy sources)	Investment Advisor - Asset Management team	September 2022	Refer to using renewable energy tariffs below	In progress
<i>To provide investors and our wider stakeholder group with relevant and comparable disclosure relating to ESG matters</i>				
Report the 11 recommendations of the TCFD.	Investment Advisor - Finance team	Outlined in our 2021 Annual Report, updates included below and full compliance targeted from March 2022 Annual Report	In our 2021 Annual Report we reported 10 of the TCFD recommended disclosures. The Group have engaged external consultants that will allow us to report the 11 th disclosure and fully comply in our 2022 Annual Report	In progress
Engage an external consultant to carry out the data collection and analysis for reporting EPRA sBPR measures	Investment Advisor - Finance team	September 2021	We have appointed CBRE to carry out the data collection and reporting of the EPRA sBPR measures	Complete
Report the	Investment	March 2022 Annual	Data collection in	In progress

measures using the data that we have collected from our tenants	Advisor - Finance team	Report	progress	
Engage an external consultant to carry out the GRESB submission	Investment Advisor - Asset Management team	Complete	Complete	Complete
Obtain first GRESB rating on the portfolio	Investment Advisor - Asset Management Team	September 2021 interim report	Refer to GRESB section below	In progress

Materiality assessment

In order to develop an ESG strategy that is relevant and appropriate for our wider stakeholder group, our first proactive initiative was to perform a materiality assessment.

In the half-year, we engaged a specialist Real Estate ESG consultant to undertake this assessment, which involved identifying our stakeholders and ranking over 100 sustainability related issues on a matrix, plotted based on their current or potential impact to the Company and the level of priority to stakeholders and influence on their decision making.

These issues were drawn from legislative requirements, sustainability reporting standards, communications with investors on sustainability topics (questionnaires etc.), and from meetings and workshops with the staff of the Investment Advisor, together with additional issues from a review of industry standards and peer group policies.

This process was both informative and key to the meeting of other initiatives, including the adoption of an enhanced ESG policy and in implementing the provisions of that policy, to prioritise those issues that are both important and significant to the Company and its stakeholders.

Integration of the enhanced ESG policy

The Investment Advisor, including staff representation, and the Board of Directors of the Company were involved in the process of developing the enhanced ESG policy, which drew heavily on our culture of integrating sustainable investment strategies that already existed within the business.

Our investment process is being aligned to our enhanced ESG policy through a standing agenda item at quarterly Board meetings, where the CRWG reports updates on ongoing initiatives and compliance with the policy, and in the Investment Advisor's due diligence reporting on acquisitions, again to confirm compliance with the new policy.

Reporting boundaries

The Group's specialist Real Estate ESG consultant has recommended the adoption of an "operational control" reporting boundary by the Company, as defined in the Greenhouse Gas ("**GHG**") protocol. This means reporting on Scope 1 and Scope 2 emissions as standard and the voluntary reporting of certain Scope 3 emissions.

Scope 1 and 2:

Emissions from sources that are owned or controlled by the Group and emissions that are a consequence of the Group's direct activities. This includes emissions from energy supplied to the common areas of assets controlled by the Group. These common areas exist where sites are let to multiple tenants, at which we retain control over the common parts of the asset. Our approach to these assets, which comprise less than 1% of the Group's portfolio, is described below under Using renewable energy tariffs below.

This would also include an appropriate proportion of GHGs emitted by the energy supplier, calculated according to the UK Government's standard formulae and applied to the volume of energy reported in Scope 1 and GHGs emitted relating to office premises of the Investment Advisor.

We recognise that our direct scope 1 and 2 carbon emissions are minimal compared to our indirect Scope 3 emissions.

Scope 3:

Emissions that are a consequence of all other activities which release emissions into the atmosphere as a consequence of the Group's actions, which occur at sources which the Group does not control and which are not classed as scope 2 emissions. This includes energy produced and used by our tenants at assets under the Group's ownership, together with other indirect emissions such as carbon emissions in the development of new buildings under ownership, business travel and emissions from the activities of contractors and other suppliers.

The Group intends to report on the carbon footprint within these reporting boundaries in the March 2022 Annual Report.

Using renewable energy tariffs

The Group has very few landlord-controlled areas. We are pleased to report that following the setting of our target above, we have successfully transferred all areas without long-term contracts to renewable tariffs, which constitutes 83% of the total landlord-controlled areas.

Where contractually possible, the remaining sites will be moved to renewable energy tariffs and as such we have revised the timeline for this target to September 2022, when the last of our non-renewable energy contracts is due to expire.

GRESB

The Global Real Estate Sustainability Benchmark ("**GRESB**") assesses the ESG performance of real estate and infrastructure portfolios and assets worldwide, providing standardised and validated data to investors. The Group has appointed external advisers to support its application and obtain a GRESB rating.

We have already executed a number of internal improvements recommended by the advisors and will announce our GRESB rating in due course.

Asset management initiatives

In the half-year, the Group completed the installation of EV charging points at Travelodge, Sandwich, and exchanged agreements for lease with operators for EV charging points at a further four locations. This brings the total number of assets with EV charging points to 11 and accounts for over 40 individual EV chargers.

The Group also has five assets with solar PV panels producing just under 2MWp per year of power, generating renewable and sustainable energy and in turn contributing to a reduction in global carbon emissions. The Group are committed to improving the energy performance of our buildings wherever commercially viable. We are currently in discussions to retrofit a further 2.75MWp across six sites. Additional sites have also been identified as being suitable for PV arrays and the Group will engage with those tenants upon completion of the first tranche of systems.

Task Force on Climate-related Financial Disclosures ("TCFD")

The Company reports the 11 disclosures recommended by the TCFD. During the half-year, the Company became an official supporter of the TCFD, joining more than 2,000 organisations in demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures.

The Group targets full compliance with the recommended disclosures in its 2022 Annual Report. There is currently no material update to the disclosures made in the Group's 2021 Annual Report other than the following metrics and targets section:

- **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 is in the process of obtaining a GRESB score following the implementation of a number of improvements recommended by our external adviser.

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

EPC ratings

Our specialist Real Estate ESG consultant carried out a comprehensive review of all properties in ownership of the Group to properly categorise and analyse the energy performance of our assets, as well as to identify where data is missing.

EPC analysis

In order to review and appraise the climate-related risks as regards to the underlying real estate, the CRWG considers the EPC rating of its assets. At 30 September 2021, the Group's EPC ratings are as follows, weighted by passing rent using the public EPC register.

Of the Group's current portfolio 76% of assets rated C or better, and less than 1% are rated lower than a D. A detailed breakdown of the portfolio ratings and our individual sector performance is included below.

EPC rating	A	B	C	UC ¹	A to C	D	E	F	G	D and below	NC ²	Exempt	Total
Total portfolio	12%	27%	25%	11%	76%	16%	1%	0%	0%	17%	1%	7%	100%

EPC rating	A	B	C	UC ¹	A to C	D	E	F	G	D and below	NC ²	Exempt	Total
Foodstores	34%	19%	24%	12%	89%	8%	0%	0%	0%	8%	2%	1%	100%
Industrial	13%	20%	17%	29%	79%	16%	1%	1%	0%	17%	4%	0%	100%
Budget Hotels	7%	58%	19%	12%	96%	1%	2%	0%	0%	4%	0%	0%	100%
Healthcare	3%	41%	28%	0%	72%	25%	1%	0%	0%	26%	0%	1%	100%
Life sciences	0%	0%	64%	0%	64%	32%	3%	0%	0%	36%	0%	0%	100%
Garden centres	0%	57%	43%	0%	100%	0%	0%	0%	0%	0%	0%	0%	100%
Education	0%	9%	24%	0%	33%	57%	11%	0%	0%	67%	0%	0%	100%
Drive-thru coffee	19%	54%	9%	7%	89%	0%	0%	0%	0%	0%	0%	11%	100%
Other	3%	8%	30%	3%	43%	27%	0%	0%	0%	27%	29%	1%	100%

1 UC means under construction. 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:

A	B	C	NC ²	Total
50%	43%	4%	3%	100%

2 NC represents assets with no certificate and overall accounts for 0.8% of the portfolio in term of rental value

Although all the Group's assets comply with current UK regulation, the CRWG is acutely aware of the changing tide and the likelihood of oncoming regulation and the White Paper indication that commercial property will require a minimum rating of B from 2030.

The Investment Advisor is on course to meet this minimum standard through asset management initiatives. Our analysis of EPC ratings has shown that we outperform all UK commercial property in all sectors, and are therefore well positioned to safeguard against this regulatory risk.

The Group benefits from a portfolio of assets with strong rent cover, profitability and affordable rental levels for tenants, and many assets that are of strategic importance to the operator. As such, we see the new legislation as an opportunity, as well as a risk. We

also note a strong correlation with our tenants, on initial soundings, between our own ambitions and theirs, and indeed many of our tenants are already on a journey toward, with some already having reached, carbon neutrality.

As such, we do not see the potential requirement for material capex to support decarbonisation as having a negative impact on our short, or longer-term returns. We are already hearing positive feedback from tenants on their willingness to fund improvements and for other opportunities to rentalise or to otherwise generate value, through any landlord funded works.

As values for assets begin to polarise (although a delay is expected for long let properties) between those with the best and worst environmental credentials, any improvements made by the Company will generate greater returns for investors and further enhance the quality and security of its income stream from tenant operators.

The analysis also identified a small number of assets for which certificates are not available or assets which are exempt from obtaining EPC ratings. The Group considers it a priority to obtain EPCs which are not readily available and is working to reduce this for the March 2022 annual report. The assets with exempt EPCs relate to properties that are not legally required to have an EPC rating e.g. car parks.

Decarbonisation of assets

Considering the analysis performed on the portfolio covering updated EPC reporting and benchmarking, and having considered the results of our materiality assessment, we have re-prioritised and as a result, adjusted this target for decarbonisation of assets.

Instead of a blanket approach for all assets with a D or lower rating (some of which have a very low value and improvements to which will have a negligible impact), we have focussed on achieving the most meaningful improvements from an environmental perspective.

We have therefore determined it more appropriate to instruct reports for all assets with ratings of E or lower, regardless of size, but to instruct reports on our higher-value assets that are C or lower. We have defined higher value as greater than £10m capital value, which individually represent 0.8% of portfolio value. The total value of assets for which reports are being obtained represents 26% of passing rent.

As a result of this change in target, the total proportion of assets that are D rated for which we are not instructing reports is 7% in term of passing rent. These assets will be considered in due course after we have prioritised the higher value assets for which improvements are likely to have the most meaningful impacts.

Social

Charity involvement

In the half-year, the Investment Advisor became a member of The Academy of Real Assets, a philanthropic members group whose aim is to have a significant, positive social impact on underprivileged students from schools across the UK.

The Academy partners with some of the biggest, best and most-established social mobility charities and other entities to get access to as many students at UK State schools as possible, generally via teachers. The mission is to contribute to the alleviation of educational inequality in particular by providing students from a less privileged educational background with exposure to professionals within the industry, to show the opportunities that exist within the world of property.

The Academy has the following goals:

- To have significant, positive social impact on students from schools across the UK
- To offer students that do not have connections an off the shelf contact list to help, guide and advise
- To introduce to all students the huge variety of career opportunities in the Real Estate, Real Assets and investment worlds
- To encourage and bring about greater diversity and to increase access
- To connect students with our members via The Academy events and initiatives
- To work together, and create partnerships, with others committed to the same social goals as us
- Hold regular member events to allow members to get together and make new connections
- To give members "an intellectual breather" by meeting and enjoying guest speakers who will be experts in fields other than Real Estate, Real Assets or investing.

The Academy of Real Assets supports members to pool resources to deliver the maximum social impact, rather than relying on individual entities to deliver their own strategy and more information can be found at www.acadrealassets.com.

Forward funding

The Company does not undertake direct development but forward funds development projects. The Company's developments always have support from local authorities to have received planning consent prior to executing the funding agreement and as such are expected to provide positive public benefits and that support local communities through provision of accessible amenities and employment opportunities. We prioritise the use of local developers.

The Company uses its influence to encourage those developers to identify and consult with a wide range of stakeholders in the local community and to minimise any negative impacts or disruption to the local community during construction.

The Company expects new buildings to meet high standards of environmental performance and to promote the health and well-being of both the building occupiers and the wider community. We expect new buildings to have a BREEAM rating of at least "Very Good". All forward funded projects that achieved PC in the current year that were rated, have obtained a rating have achieved this.

People and culture

The Company is committed to diversity and inclusion and our aspiration is to have a Board and key service providers that are representative of society and our wider stakeholder groups. Currently, the Board comprises three male and two female Directors and the Investment Advisor comprise 56% male and 46% female employees.

The Board is in the process of identifying candidates for an additional Non-Executive Director for the Company and the Board sees this is an opportunity to enhance the diversity within the Board to make it more representative.

Governance

The Company's investment activities are overseen by the Company's non-executive Board of Directors. The Investment Advisor and the Board work together to ensure proper execution of the Company's investment strategies, consistent application of

policies, compliance with procedures and compliance with local and regional regulatory requirements.

The Group has mature structure of governance, compliant the AIC Code of Corporate Governance, which is detailed in the Group's Annual Report. The Group's governance complies with its enhanced ESG policy that has been adopted during the half-year.

Key decisions and relationships with stakeholders

Each year, the Group is required under section 172(1) of the Companies Act 2006 to report on how it considered the wider stakeholder needs in its key decisions. The key stakeholders are considered to be shareholders, tenant operators, service providers, employees, lenders and society and the environment. Further information on stakeholder assessment (which is unchanged in the half-year) is given in the Group's March 2021 Annual Report on pages 27 and 28.

The Board considered the following to be the key decisions made during the half-year:

- Equity raise - the Board approved a £104m equity raise, via the Company's placing programme, that is described in detail earlier in this report. The Board considered that the deployment of new equity capital would benefit the shareholders of the Group through enhanced diversification and a reduced ongoing cost ratio over the longer-term, as well as providing enhanced liquidity to a broader capital base and a larger market capitalisation. The placing programme was originally approved by shareholder at an EGM in March 2021 and the equity raise followed an extensive investor roadshow conducted by the Investment Advisor.
- Decision not to continue with preliminary discussions with Secure Income REIT plc around a potential merger of the two businesses - the Board determined that it would not be in the best interest to of shareholders to continue the preliminary discussions. Following media speculation, the Company's Directors met with a range of shareholders on the Company's register from different institutions to discuss the decision made by the Board.

PROPERTY PORTFOLIO

Tenant group	Contracted rent	Rental exposure
Travelodge	£4.7m	7%
Q-Park	£3.9m	6%
Bombardier	£3.5m	6%
Dobbies Garden Centres	£3.1m	5%
Capita	£2.9m	5%
Premier Inn	£2.6m	4%
Greene King	£2.5m	4%
Bupa	£2.1m	3%
Tesco	£2.0m	3%
Co-op	£1.9m	3%
Kids Foundation	£1.9m	3%
Esken	£1.8m	3%
Aldi	£1.8m	3%
Jurys Inn	£1.8m	3%
Priory Group	£1.7m	3%
Lidl	£1.6m	3%
Starbucks	£1.5m	2%
Mears	£1.4m	2%
BCA Group	£1.3m	2%
49 other tenants	<£1m	<2%
Total	£62.8m	100%

Sector	Contracted rent	Rental exposure
Foodstores and essentials	£12.5m	20%
Industrial	£12.1m	19%
Hotel	£10.0m	16%
Healthcare	£6.2m	10%
Car park	£3.9m	6%
Garden centre	£3.1m	5%
Life sciences	£2.9m	5%
Drive-thru coffee	£2.7m	4%
Pubs	£2.5m	4%
Education	£1.9m	3%
Other	£5.0m	8%
Total	£62.8m	

Rental uplifts	Contracted rent	Rental exposure
RPI linked	£36.4m	58%
CPI linked	£10.9m	17%
Fixed uplifts	£13.0m	21%

Open market	£2.5m	4%
Total	£62.8m	100%

Unexpired lease term to first break	Contracted rent	Rental exposure
More than 19-years (i.e. 20+)	£40.7m	65%
More than 14-years, fewer than 19-years	£17.0m	27%
More than 9-years, fewer than 14-years	£4.5m	7%
More than 5-years, fewer than 9-years	£0.3m	1%
Fewer than 5-years	£0.3m	0%
Total	£62.8m	100%

Location	Contracted rent	Rental exposure
South East	£14.1m	22%
Yorkshire and the Humber	£9.8m	16%
North West	£8.8m	14%
Scotland	£6.2m	10%
South West	£5.0m	8%
North East	£4.9m	8%
West Midlands	£4.6m	7%
East of England	£3.3m	5%
East Midlands	£3.2m	5%
Wales	£1.8m	3%
Northern Ireland	£1.1m	2%
Total	£62.8m	100%

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	
		30 September 2021	Comparative periods
<p>1. Total NAV return</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>	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.	9.0%	5.6% (year ended 31 March 2021) -0.6% (half-year ended 30 September 2020)
<p>2. Dividend per share</p> <p>Dividends paid to shareholders and proposed in relation to a period.</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.	3.0p	5.55p (year ended 31 March 2021) 2.65p (half-year ended 30 September 2020)
<p>3. EPRA Net Tangible Assets ("NTA") (ex dividend)</p> <p>Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.</p>	The NAV reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.	134.0p	125.7p (at 31 March 2021) 120.8p (at 30 September 2020)
<p>4. Loan to value</p> <p>The proportion of our total assets that is funded by borrowings. Our target maximum LTV is 35%.</p>	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.	25%	23% (at 31 March 2021) 30% (at 30 September 2020)
<p>5. Adjusted earnings per share</p> <p>Post-tax Adjusted earnings per share attributable to shareholders, which includes the licence fee receivable on our forward funded development assets treated under IFRS as discounts to investment property acquisitions.</p>	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.	3.5p	7.5p (year ended 31 March 2021) 3.3p (half-year ended 30 September 2020)

<p>6. Total expense ratio</p> <p>The ratio of total operating expenses, including management fees expressed as a percentage of the average net asset value.</p> <p>The measure is annualised for half-year periods by multiplying the operating expenses by two.</p>	<p>The total expense ratio is a key measure of our operational excellence. Maintaining a low cost base supports our ability to pay dividends.</p>	<p>1.0%</p>	<p>0.9% (year ended 31 March 2021)</p> <p>1.0% (half-year ended 30 September 2020)</p>
<p>7. Weighted average unexpired lease term</p> <p>The average unexpired lease term of the property portfolio weighted by annual passing rents. Our target WAULT is a minimum of 20 years.</p>	<p>The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security and predictability of our income stream.</p>	<p>23 years</p>	<p>22 years (at 31 March 2021)</p> <p>22 years (at 30 September 2020)</p>
<p>8. Percentage of contracted rents index-linked or fixed</p> <p>This takes the total value of contracted rents that contain rent reviews linked to inflation or fixed uplifts.</p>	<p>This measures the extent to which we are investing in line with our investment objective, to provide inflation-linked returns.</p>	<p>96%</p>	<p>95% (at 31 March 2021)</p> <p>96% (at 30 September 2020)</p>

EPRA PERFORMANCE MEASURES

The table below shows additional performance measures, calculated in accordance with the Best Practices Recommendations of European Public Real Estate ("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.

Measure and Definition	Purpose	Performance	
		30 September 2021	Comparative periods
1. EPRA Earnings Per Share	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	2.8p	6.4p (at 31 March 2021) 2.9p (at 30 September 2020)
2a. EPRA Net Tangible Assets ("NTA")	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	135.5p	125.7p (at 31 March 2021)
2b. EPRA Net Tangible Assets ("NTA") (ex dividend)		134.0p (ex dividend)	120.8p (at 30 September 2020)
3a. EPRA Net Reinstatement Value ("NRV")	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	142.5p	136.1p (at 31 March 2021) 131.3p (at 30 September 2020)
4. EPRA Net Disposal Value ("NDV")	Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	133.6p	124.8p (at 31 March 2021) 116.9p (at 30 September 2020)
5. EPRA Net Initial Yield ("NIY")	EPRA NIY is annualised net rents on investment properties as a percentage of the investment property valuation, less purchaser's costs.	4.8%	4.9% (at 31 March 2021) 5.2% (at 30 September 2020)
6. EPRA 'Topped-Up' NIY	The 'topped-up' measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents). The measure also includes a smoothing effect on the rent from our fixed uplifts over the life of the asset which has the effect of increasing the headline rent in the calculation	7.2%	6.5% (at 31 March 2021) 6.8% (at 30 September 2020)

7. EPRA Vacancy	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	0%	0% (at 31 March 2021) 0% (at 30 September 2020)
8. EPRA Cost Ratio	A key measure to enable meaningful measurement of the changes in a company's operating costs.	17.3%	13.3% (at 31 March 2021) 13.8% (at 30 September 2020)

PRINCIPAL RISKS AND UNCERTAINTIES

The Audit Committee, which assists the Board with its responsibilities for managing risk, considers that the principal risks and uncertainties as presented on page 29 of the Group's 2021 Annual Report were unchanged during the half-year and are expected to remain unchanged for the remaining six months of the financial year.

Since March 2020, the Covid-19 pandemic has been considered a principal risk to the business. We expect this to continue for the remainder of 2021 and into 2022. The Board, alongside management, has continued to work diligently to anticipate and contain its impact.

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

A list of the Directors is shown in the Company Information section of the Interim Report. Shareholder information is as disclosed on the LXI REIT plc website at www.lxireit.com.

For and on behalf of the Board

Stephen Hubbard

Chairman

23 November 2021

INDEPENDENT REVIEW REPORT TO LXI REIT PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and related notes.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK-adopted IAS 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

BDO LLP

Chartered Accountants
London, United Kingdom
23 November 2021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
	Note			
Rental income	4	25.4	20.3	42.8
Administrative and other expenses	5	(4.4)	(2.7)	(5.9)
Operating profit before fair value changes		21.0	17.6	36.9
Change in fair value of investment property (Loss)/gain on disposal of investment property	9	55.5	(18.9)	0.1
Change in fair value of financial instruments	9	-	(0.1)	6.3
		0.1	-	-
Operating profit/(loss)		76.6	(1.4)	43.3
Gain on refinancing		-	-	1.9
Finance income	6	-	-	-
Finance costs	7	(3.0)	(2.6)	(5.3)
Profit/(loss) before tax		73.6	(4.0)	39.9
Taxation	8	0.7	-	-
Profit/(loss) and total comprehensive income attributable to shareholders		74.3	(4.0)	39.9
Earnings per share - basic and diluted	25	11.3p	(0.8)p	7.6p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
	Note			
Non-current assets				
Investment property	9	1,171.4	822.3	887.5
Trade and other receivables	12	-	1.2	0.4
Total non-current assets		1,171.4	823.5	887.9
Current assets				
Trade and other receivables	12	10.0	10.9	13.7
Assets held for sale	10	20.7	-	-
Deferred acquisition costs		0.4	0.3	1.4
Financial instruments		0.1	-	-
Restricted cash	13	4.0	9.7	-
Cash and cash equivalents	13	20.6	20.7	87.1
Total current assets		55.8	41.6	102.2
Total assets		1,227.2	865.1	990.1
Current liabilities				
Trade and other payables	14	23.2	23.4	18.3
Total current liabilities		23.2	23.4	18.3

Non-current liabilities				
Bank borrowings	15	243.5	208.4	186.6
Leasehold liabilities	14	12.0	3.5	3.8
Total non-current liabilities		255.5	211.9	190.4
Total liabilities		278.7	235.3	208.7
Net assets		948.5	629.8	781.4
Equity				
Share capital	16	7.0	5.2	6.2
Share premium reserve	17	645.5	423.2	544.5
Capital reduction reserve		53.1	76.7	62.1
Retained earnings		242.9	124.7	168.6
Total equity		948.5	629.8	781.4
Net asset value per share - basic and diluted				
	26	135.5p	120.8p	125.7p
EPRA NTA per share	26	135.5p	120.8p	125.7p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year ended 30 September 2021	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2021		6.2	544.5	62.1	168.6	781.4
Profit and total comprehensive income attributable to shareholders		-	-	-	74.3	74.3
Transactions with owners						
Issue of ordinary shares in the year	15,17	0.8	102.9	-	-	103.7
Share issue costs	17	-	(1.9)	-	-	(1.9)
Dividends paid in the year	18	-	-	(9.0)	-	(9.0)
Balance at 30 September 2021		7.0	645.5	53.1	242.9	948.5

Half-year ended 30 September 2020	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2020		5.2	423.2	90.9	128.7	648.0
Profit/(loss) and total comprehensive income attributable to shareholders		-	-	-	(4.0)	(4.0)
Transactions with owners						
Issue of ordinary shares in the year	15,17	-	-	-	-	-
Share issue costs	17	-	-	-	-	-
Dividends paid in the year	18	-	-	(14.2)	-	(14.2)
Balance at 30 September 2020		5.2	423.2	76.7	124.7	629.8

Year ended 31 March 2021	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2020		5.2	423.2	90.9	128.7	648.0
Profit and total						

comprehensive income attributable to shareholders	-	-	-	39.9	39.9
Transactions with owners					
Issue of ordinary shares in the year	15,17	1.0	124.0	-	125.0
Share issue costs	17	-	(2.7)	-	(2.7)
Dividends paid in the year	18	-	-	(28.8)	(28.8)
Balance at 31 March 2021	6.2	544.5	62.1	168.6	781.4

CONSOLIDATED CASH FLOW STATEMENT

		Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
	Note			
Cash flows from operating activities				
Profit/(loss) before tax		73.6	(4.0)	39.9
Adjustments for:				
Finance costs	7	3.0	2.6	5.3
Gain on refinancing		-	-	(1.9)
Change in fair value of investment property	9	(55.5)	18.9	(0.1)
Loss/(gain) on disposal of investment property	9	-	0.1	(6.3)
Tax credit		0.7	-	-
Change in fair value of derivative		(0.1)	-	-
Accretion of tenant lease incentives	4	(5.7)	(3.5)	(8.4)
Operating results before working capital changes		16.0	14.1	28.5
Increase in trade and other receivables		3.8	(0.6)	(2.6)
Increase/(decrease) in trade and other payables		2.2	(1.6)	3.0
Net cash flow generated from operating activities		22.0	11.9	28.9
Cash flows from investing activities				
Purchase of derivative		-	-	-
Purchase of investment properties		(240.0)	(38.2)	(160.5)
Proceeds from sale of investment property		5.3	2.1	96.0
Net cash flow used in investing activities		(234.7)	(36.1)	(64.5)
Cash flows from financing activities				
Proceeds from shares issued in the period		103.7	-	125.0
Share issue costs paid		(1.9)	-	(2.7)
Dividend paid		(9.1)	(7.5)	(28.8)
Interest paid		(3.1)	(2.9)	(5.9)
Drawdown of borrowings		129.4	42.0	62.3
Repayment of borrowings		(72.0)	-	(40.0)
Loan arrangement fees paid		(0.8)	(0.1)	(0.6)
Net cash flow generated from financing activities		146.2	31.5	109.3
Net decrease in cash and cash equivalents		(66.5)	7.3	73.7
Cash and cash equivalents at the beginning of the year		87.1	13.4	13.4
Cash and cash equivalents at the end of the year	13	20.6	20.7	87.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

This consolidated set of condensed financial statements have been prepared in accordance the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and IAS 34 'Interim Financial Reporting' and also in accordance with the measurement and recognition principles of UK adopted international accounting standards. They do not include all the information required for full annual financial statements and should be read in conjunction with the 2021 Annual Report and Accounts, which were 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.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting policies from the transition.

The condensed consolidated financial statements for the half-year ended 30 September 2021 have been reviewed by the Company's Independent Auditor, BDO LLP, in accordance with the International Standard on Review Engagements 240 Review of Interim Financial Information Performed by the Independent Auditor of the Entity and were approved for issue on 23 November 2021. The condensed consolidated financial statements are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006.

The comparative financial information presented herein for the year ended 31 March 2021 does not constitute full statutory accounts within the meaning of Section 435 of the Companies Act 2006. The Group's Annual Report for the year ended 31 March 2021 has been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified.

The condensed consolidated financial statements for the half-year ended 30 September 2021 have been prepared on a historical cost basis, as modified for the Group's investment properties and derivative financial instruments which are carried at fair value with changes presented in the statement of comprehensive income.

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

Going concern

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

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

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

Summary of significant accounting policies

The accounting policies adopted in this report are consistent with those applied in the Group's consolidated financial statements for the year ended 31 March 2021 and are expected to be applied consistently during the year ending 31 March 2022.

Summary of significant judgments and estimates

The judgments and estimates adopted in this report are consistent with those applied in the Group's consolidated financial statements for the year ended 31 March 2021 and are expected to be applied consistently during the year ending 31 March 2022.

New standards issued and effective from 1 April 2021

The following new accounting amendments have been applied in preparing these condensed consolidated 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 does not result in an immediate gain or loss recorded in profit or loss.

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") 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 19)

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 half-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.

Assets held for sale

An asset will be classified as held for sale, in line with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, where there is Board approval at the half-year end date, the asset is available for immediate sale in its current condition and the asset is expected to be disposed of within 12 months after the date of the Consolidated Statement of Financial Position.

Financial instruments

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 15 until the certain security is provided to release the funds as well as amounts withheld when a securitised asset is disposed prior to the bank replacing the asset with adequate security. Restricted cash does not form an integral part of the Group's cash management as at the reporting date.

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

	Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Rental income from investment property	19.7	16.8	34.4
Accretion of tenant lease incentives (Note 9)	5.7	3.5	8.4
	25.4	20.3	42.8

5. Administrative and other expenses

	Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Investment advisory fees (Note 21)	3.3	2.1	4.4
Legal and professional fees	0.3	0.2	0.5
Other administrative costs	0.4	0.1	0.3
Corporate administration fees	0.1	0.1	0.3
Fees paid to the Company's Independent Auditor	0.1	0.1	0.2
Directors' fees (Note 21)	0.1	0.1	0.3
Advertising & Marketing	0.1	-	0.1
Expected credit loss movement	-	-	(0.2)
	4.4	2.7	5.9

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

The Company paid £nil of additional fees to the Company's Independent Auditor in respect of reporting accountant services in the year which have been recognised directly in equity as share issue costs (30 September 2020: £nil, 31 March 2021: £0.1m).

6. Finance income

	Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Interest on cash held at bank	-	-	-
	-	-	-

7. Finance costs

	Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Interest payable on bank borrowings	2.4	2.2	4.6

Amortisation of loan arrangement fees	0.5	0.4	0.7
Leasehold interest	0.1	-	-
	3.0	2.6	5.3

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

- the interest payable on bank borrowings totalling £3.0m of which £0.5m was capitalised (30 September 2020: £2.8m of which £0.6m was capitalised, 31 March 2021: £5.9m of which £1.3m was capitalised); and
- the amortisation of loan arrangement fees totalling £0.5m of which £nil was capitalised (30 September 2020: £0.4m, 31 March 2021: £0.7m of which £nil was capitalised).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the period was 2.85% pa (30 September 2020: 2.85%, 31 March 2021: 2.85%)

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.

	Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Current tax	0.7	-	-
Total current tax	0.7	-	-
Origination and reversal of temporary differences	-	-	-
Total deferred tax	-	-	-
Tax credit	0.7	-	-

Reconciliation of the total tax charge

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

	Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Profit/(loss) before tax	73.6	(4.0)	39.9
Tax at the standard rate of UK corporation tax of 19%	14.0	(0.8)	7.6
Effects of:			
REIT exempt income	(3.7)	(3.6)	(7.6)
Revaluation of investment properties	(10.5)	4.4	-
Gain on disposal of investment properties	0.4	-	-
Residual losses brought forward as at 31 March 2022	(0.4)	-	-
Residual losses not recognised as deferred tax asset	0.2	-	-
Reversal of overstated tax creditor	(0.7)	-	-
Tax charge / (credit)	(0.7)	-	-

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
Half-year ended 30 September 2021				
Balance at 1 April 2021	147.4	636.0	104.1	887.5
Property acquisitions	22.2	216.0	13.8	252.0
Licence fee receivable (Note 25)	-	-	(1.8)	(1.8)
Tenant lease incentives (Note 4)	1.1	4.6	-	5.7
Tenant lease contributions	-	0.9	-	0.9
Property disposals	-	(7.7)	-	(7.7)
Change in fair value	6.8	40.7	8.0	55.5

Assets transferred to held for sale	(12.0)	(8.7)	-	(20.7)
Transfers of completed property	(0.4)	22.8	(22.4)	-
Balance at 30 September 2021	165.1	904.6	101.7	1,171.4

Half-year ended 30 September 2020				
Balance at 1 April 2020	107.3	592.3	110.1	809.7
Property acquisitions	-	0.4	40.9	41.3
Licence fee receivable (Note 25)	-	-	(1.6)	(1.6)
Tenant lease incentives (Note 4)	0.5	2.6	0.4	3.5
Property disposals	(0.2)	(11.5)	-	(11.7)
Change in fair value	(5.6)	(9.3)	(4.0)	(18.9)
Transfers of completed property	4.6	12.0	(16.6)	-
Balance at 30 September 2020	106.6	586.5	129.2	822.3

Year ended 31 March 2021				
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)	-
Balance at 31 March 2021	147.4	636.0	104.1	887.5

The investment property has been independently valued at fair value by Knight Frank LLP, the Independent Valuer who 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 30 September 2021 at £1,216.6m (31 March 2021: £938.4m, 30 September 2020: £892.7m) 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.

The Group identifies the potential impact of climate-related risks on property valuations as a principal risk. The current valuation of the property portfolio is not materially impacted by any climate-related risks. We will continue to work closely with the Independent Valuer to monitor how climate-related factors impact values in long-lease property sector and of our individual asset valuations.

Reconciliation of fair value to total portfolio valuation

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
Investment property at fair value ¹	1,192.1	822.3	887.5
Capital commitments on forward funded assets (Note 24)	31.2	67.6	48.0
Vendor discount in respect of rent-free periods and top-ups	3.2	3.8	4.0
Licence fee receivable	2.1	2.5	2.7
Leasehold liability (Note 14)	(12.0)	(3.5)	(3.8)
Total completed portfolio valuation	1,216.6	892.7	938.4

¹ Includes assets held for sale (note 10)

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

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

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

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

Investment property at fair value

Valuation	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total £m
30 September 2021¹	-	-	1,192.1	1,192.1
30 September 2020	-	-	822.3	822.3
31 March 2021	-	-	887.5	887.5

There have been no transfers between levels during the period.

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		Valuation	
	30 September	Passing rent	30 September	Valuation yield
	2021 ¹	pa range	2021	range
	£m	£m	£m	%
Foodstores and essentials	12.5	0.1 - 2.0	280.7	3.3 - 7.0
Industrial	12.1	0.2 - 3.5	293.0	3.3 - 6.3
Hotel	10.0	0.1 - 1.8	201.3	4.1 - 6.5
Healthcare	6.2	0.0 - 1.0	108.7	4.8 - 6.1
Car parks	3.9	0.1 - 1.1	73.6	4.0 - 5.3
Garden centres	3.1	0.3 - 1.0	40.4	4.9 - 4.9
Life sciences	2.9	2.9 - 2.9	53.0	5.1 - 5.1
Drive-thru coffee	2.7	0.0 - 0.1	25.3	4.2 - 5.8
Pubs	2.5	0.1 - 0.3	40.2	5.5 - 6.2
Education	1.9	0.0 - 0.1	33.5	5.1 - 5.2
Other	5.0	0.0 - 1.4	66.9	4.5 - 10.0
Portfolio	62.8	0.0 - 3.5	1,216.6	3.3 - 10.0

Sector	Passing rent pa		Valuation	
	31 March 2021	Passing rent	31 March 2021	Valuation yield
	£m	pa range	£m	range
	£m	£m	£m	%
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
Portfolio	49.3	0.0 - 3.5	938.4	3.3 - 10.0

Sector	Passing rent pa		Valuation	
	30 September	Passing rent	30 September	Valuation yield
	2020	pa range	2020	Range
	£m	£m	£m	%
Industrial	13.5	0.2 - 3.5	287.1	3.8 - 5.7
Hotel	11.5	0.0 - 1.8	197.4	4.4 - 7.7
Healthcare	4.9	0.0 - 1.0	78.7	5.2 - 6.5
Assisted Living	1.7	0.0 - 0.2	29.5	5.1 - 5.4

Leisure	5.9	0.0 - 0.9	104.1	4.7 - 6.9
Discount retail	5.8	0.0 - 0.9	81.1	4.4 - 6.4
Car Park	3.9	0.1 - 1.1	76.2	3.9 - 5.2
Student	1.4	1.4 - 1.4	24.3	5.3 - 5.3
Office	0.4	0.4 - 0.4	8.0	4.2 - 4.2
Automotive	0.4	0.4 - 0.4	6.4	6.4 - 6.4
Portfolio	49.3	0.0 - 3.5	892.7	3.8 - 7.7

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
30 September 2021	(60.8)	60.8	(62.6)	69.8
30 September 2020	(44.6)	44.6	(42.2)	46.6
31 March 2021	(46.9)	46.9	(45.3)	50.2

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.

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
Consideration received	7.8	11.8	96.4
Less:			
Carrying value	(7.8)	(11.7)	(89.3)
Selling costs	-	(0.2)	(0.8)
Gain on disposal of investment property	-	(0.1)	6.3
Add:			
Change in fair value recognised in previous periods	2.1	1.2	2.0
Realised gain on disposal of investment property	2.1	1.1	8.3

10. Assets held for sale

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
Assets held for sale	20.7	-	-
	20.7	-	-

Assets held for sale relates to investment property for which there was board approval to dispose of at the half-year end date and the intention is to dispose of these assets within 12-months.

11. Financial instruments

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

Bank borrowings	Book value £m	Fair value £m
30 September 2021	243.5	246.7
30 September 2020	208.4	228.4
31 March 2021	186.6	197.6

12. Trade and other receivables

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
Recoverable VAT	-	1.4	3.7
Licence fee receivable	3.9	2.6	3.1
Rent receivable	5.8	6.6	6.7
Prepayments and other receivables	0.3	0.3	0.2
Amounts due within one year	10.0	10.9	13.7

Rent receivable	-	1.2	0.4
Amounts due in more than one year	-	1.2	0.4

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

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

The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 30 September 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 at 30 September 2021 is £0.1m (31 March 2021: £0.1m, 30 September 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.

Trade and other receivables that are financial assets amount to £9.7m (31 March 2021: £10.2m, 30 September 2020: £10.2m) 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:

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
30 days or fewer	8.9	7.6	9.3
31 to 60 days	0.1	0.5	-
61 to 90 days	0.1	0.5	-
91 days or more	0.6	0.4	0.5
Over one year	-	1.2	0.4
	9.7	10.2	10.2

13. Cash reserves

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
Cash at bank	16.9	19.5	83.8
Cash held by lawyers	3.7	1.2	3.3
Cash and cash equivalents	20.6	20.7	87.1
Restricted cash	4.0	9.7	-
Cash at bank	24.6	30.4	87.1

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.

14. Trade and other payables

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
Accrued investment property costs	3.7	4.1	2.2
Deferred rental income	11.4	7.7	7.2
Accruals	0.3	0.7	0.2
Trade and other payables	7.4	10.0	7.8
VAT payable	0.4	-	-
Corporation tax payable	-	0.9	0.9
Amounts due within one year	23.2	23.4	18.3
Leasehold liability	12.0	3.5	3.8
Amounts due in more than one year	12.0	3.5	3.8

Trade and other payables that are financial liabilities amount to £23.8m (31 March 2021: £14.0m, 30 September 2020: £18.3m) which comprises accrued investment property costs, accruals, trade and other payables, VAT payable and the leasehold liability.

15. Bank borrowings

	Drawn £m	Undrawn £m	Total £m
--	-------------	---------------	-------------

Half-year ended 30 September 2021

At beginning of the year	192.3	77.7	270.0
New facilities	-	65.0	65.0
Drawdowns	129.4	(129.4)	-
Repayments	(72.0)	72.0	-
At end of the year	249.7	85.3	335.0
Less: unamortised loan arrangement fees	(6.2)	-	(6.2)
	243.5	85.3	328.8

Half-year ended 30 September 2020			
At beginning of the year	170.0	100.0	270.0
Drawdowns	42.0	(42.0)	-
At end of the year	212.0	58.0	270.0
Less: unamortised loan arrangement fees	(3.6)	-	(3.6)
	208.4	58.0	266.4

Year ended 31 March 2021			
At beginning of the year	170.0	100.0	270.0
New facilities	-	-	-
Drawdowns	62.3	(62.3)	-
Repayments	(40.0)	40.0	-
At end of the year	192.3	77.7	270.0
Less: unamortised loan arrangement fees	(5.7)	-	(5.7)
	186.6	77.7	264.3

Maturity of drawn bank borrowings

	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
Repayable between 1 and 2 years	-	-	-
Repayable between 2 and 5 years	78.3	42.0	21.2
Repayable after 5 years	165.2	166.4	165.4
	243.5	208.4	186.6

The Group's borrowings comprise the three term loan facilities with Scottish Widows Limited and a revolving credit facility ("RCF") with Lloyds Bank plc and the Royal Bank of Scotland International Ltd.

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
- 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
- A fixed rate, interest only loan facility of £75.0m. The facility has a fixed all-in rate payable of 2.99% pa, for the duration of the loan term and is due for repayment in December 2033

Revolving credit facility

- A revolving credit facility of £165.0m (of which £79.7m was drawn down as at 30 September 2021) with Lloyds and RBSi at a 1.55% margin over SONIA maturing in August 2023. The RCF was extended by £65m committed by RBSi during the half-year, who entered the facility agreement as an additional lender. The Group has traded interest rate derivatives to cap the interest on the full facility at a total of 2.95%.

The Group renegotiated the terms of the interest to transition to SONIA from LIBOR. This transition had no material impact.

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

Reconciliation of liabilities to cash flows from financing activities

	Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Bank borrowings and leasehold liability at start of the period	190.4	166.2	169.6
Cash flows from financing activities			
Bank borrowings drawn	129.4	42.0	62.3
Bank borrowings repaid	(72.0)	-	(40.0)
Loan arrangement fees paid	(0.8)	(0.1)	(0.6)
Non-cash movements			
Amortisation of loan arrangement fees	0.5	0.3	0.7

Gain on refinancing	-	-	(1.9)
Increase in leasehold liability resulting from property acquisitions	8.0	-	0.3
Bank borrowings and leasehold liability at end of the period	255.5	208.4	190.4

16. Share capital

Shares of £0.01 each	No. (million)	£m
Half-year ended 30 September 2021		
At the beginning of the year	621.8	6.2
Issued during the year	78.0	0.8
At the end of the year	699.8	7.0
Issued and fully paid	699.8	7.0
Half-year ended 30 September 2020		
At the beginning of the year	521.4	5.2
At the end of the year	521.4	5.2
Issued and fully paid	521.4	5.2
Year ended 31 March 2021		
At the beginning of the year	521.4	5.2
Issued during the year	100.4	1.0
At the end of the year	621.8	6.2
Issued and fully paid	621.8	6.2

On 17 June 2019 the Company issued 169.1 million ordinary shares at 118.0p per share (1p nominal value and a premium of 117.0p) 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.

On 5 July 2021 the Company issued 78.0 million ordinary shares at 133.0p per share (1p nominal value and a premium of 132.0p) for total consideration of £104 million.

17. 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	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
At the beginning of the period	544.5	423.2	423.2
Premium on issue of ordinary shares	102.9	-	124.0
Share issue costs	(1.9)	-	(2.7)
At the end of the period	645.5	423.2	544.5

18. Dividends

Dividends paid	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
Dividends in respect of the year ended 31 March 2020			
Final dividend at 1.4375p per share	-	7.5	7.5
Dividends in respect of the year ended 31 March 2021			
First interim dividend at 1.30p per share	-	6.7	6.8
Second interim dividend at 1.35p per share	-	-	7.0
Third interim dividend at 1.44p per share	-	-	7.5
Fourth interim dividend at 1.46p per share	9.0	-	-
Dividends in respect of the year ended 31 March 2022			
First interim dividend at 1.50p per share	-	-	-
Second interim dividend at 1.50p per share	-	-	-
Total dividends paid	9.0	14.2	28.8

During the half-year ended 30 September 2021 and in respect of the year ending 31 March 2022, the company declared the first interim dividend totalling 1.5p per share. The ex dividend date was 30 September 2021 and the dividend was paid on 29 October 2021. As the Company was not legally obliged to pay the dividend as at the half year end date, the dividend was not recognised in the period.

On 23 November 2021, the Board approved a second interim dividend in respect of the year ending 31 March 2022 of 1.5p per

share. Total paid and approved dividends for the half-year are 3.0p per share (31 March 2021: four dividends totalling 5.55p per share, 30 September 2021: two dividends totalling 2.875p per share).

19. Leases

The Group as lessor

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

Lease receivables	< 1 year £m	1-5 years £m	> 5 years £m	Total £m
30 September 2021	53.3	219.4	931.4	1,204.1
31 March 2021	39.1	167.4	692.0	898.5
30 September 2020	37.1	159.3	661.5	857.9

The Group as lessee

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

Lease payables	< 1 year £m	1-5 years £m	> 5 years £m	Total £m
30 September 2021	0.3	1.2	34.8	36.3
31 March 2021	0.1	0.4	13.6	14.1
30 September 2020	0.1	0.3	11.1	11.5

The above is in respect of leasehold properties held by the Group. There are 32 properties (31 March 2021: 30 properties, 30 September 2020: 29 properties) held under leasehold with lease ranges from 99 years to 999 years. The increase in lease payables in the period is attributable to the acquisition of an investment property in the period with a headlease charge of 19.43% of the rent received from the tenant. The remaining term of the headlease is 130 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 properties (Note 9).

20. 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 11 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.

21. Related party transactions

Transactions with the Board of Directors

In respect of the year ended 30 September 2021 fees of £nil was payable to the Directors (30 September 2020: £0.1m, 31 March 2021: £0.3m) in the form of short-term employee benefits.

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. From 1 January 2020 the Directors' fees are 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 period end:

		30 September 2021 Number	31 March 2021 Number	30 September 2020 Number
Stephen Hubbard	Purchased	-	16,000	-
	Held	185,389	185,389	169,389
Colin Smith OBE	Purchased	-	25,000	-
	Held	247,909	247,909	222,909
John Cartwright*	Purchased	-	-	-
	Held	66,687	66,687	66,687
Jan Etherden	Purchased	-	20,000	-
	Held	77,274	77,274	57,274
Patricia Dimond	Purchased	-	26,149	8,714

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

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

Transactions with the Investment Advisor

A fee of £3.3m was payable to the Investment Advisor in respect of the period (30 September 2020: £2.1m, 31 March 2021: £4.4m). At 30 September 2021, £0.7m was due to the Investment Advisor (31 March 2021: £0.5m, 30 September 2020: £0.5m) 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:

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

No performance fee is payable to the Investment Advisor.

22. 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%
Firethorn Glasgow Limited	Property Investment	UK	100%
Corby (No.2) Unit Trust*	Property Investment	Jersey	100%
LXi Spirit Limited	Property Investment	Isle of Man	100%
Welling Property Limited	Property Investment	BVI	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 Isle of Man subsidiaries is First Names House, Victoria Road, Douglas, IM2 4DF.

The registered office of BVI subsidiaries is Wickhams Cay II, Tortola, British Virgin Islands, VG 1110.

23. 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 12.

Credit risk related to leasing activities

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

Liquidity risk

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

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

	< 3 months £m	3-12 months £m	1-5 years £m	> 5 years £m	Total £m
30 September 2021					
Bank borrowings (Note 15)	-	-	79.7	170.0	249.7
Interest payable on bank borrowings	1.5	4.4	20.2	34.9	61.0
Trade and other payables	23.2	-	-	-	23.2
Lease payables	0.1	0.2	1.2	34.8	36.3
	24.8	4.6	101.1	239.7	370.2
31 March 2021					
Bank borrowings (Note 15)	-	-	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
	11.6	4.2	42.9	220.9	279.6
30 September 2020					
Bank borrowings (Note 15)	-	-	42.0	170.0	212.0
Interest payable on bank borrowings	1.5	4.6	23.2	28.6	57.9
Trade and other payables	14.8	0.1	0.3	11.1	26.3
	16.3	4.7	65.5	209.7	296.2

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 have two financial covenants, LTV at 50% and Interest Cover Ratio ("ICR") at 300%. The Group has remained compliant with all banking covenants during and since the half-year.

24. Capital commitments

At 31 March 2021 the Group had capital commitments of £31.2m (31 March 2021: £48.0m, 30 September 2020 £67.6m) in relation to the cost to complete its forward funded pre-let development assets and £31.0m in respect of acquisitions for which contracts had exchanged but conditions to completion remain outstanding (31 March 2021: £53.8m, 30 September 2020 £17.3m). All commitments fall due for settlement within one year from the date of this report.

25. Earnings per share

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

	Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Earnings/(loss)	74.3	(4.0)	39.9
Weighted average number of ordinary shares (million)	659.3	521.4	526.1
Earnings per share ("EPS")	11.3p	(0.8)p	7.6p

Adjustments to remove:			
Change in fair value of investment property	(55.5)	18.9	(0.1)
Gain/loss on disposal of investment property	-	0.1	(6.3)
Change in fair value of interest rate derivative	(0.1)	-	-
EPRA earnings	18.7	15.0	33.5
Weighted average number of ordinary shares (million)	659.3	521.4	526.1
EPRA EPS	2.8p	2.9p	6.4p
Adjustments to include:			
Licence fees receivable	1.8	1.6	3.5
Amortisation of cash backed rental top ups and rent-free periods	2.3	0.6	2.2
Adjusted earnings	22.8	17.2	39.2
Weighted average number of ordinary shares (million)	659.3	521.4	526.1
Adjusted EPS	3.5p	3.3p	7.5p
Adjustments to remove:			
Gain on refinancing	-	-	(1.9)
Accretion of tenant lease incentives (Note 9)	(5.7)	(3.5)	(8.4)
Adjusted cash earnings	17.1	13.7	28.9
Weighted average number of ordinary shares (million)	659.3	521.4	526.1
Adjusted cash EPS	2.6p	2.6p	5.5p

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.

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
Net asset value ("NAV")	948.5	629.8	781.4
Number of ordinary shares (million)	699.8	521.4	621.8
NAV per share	135.5p	120.8p	125.7p
Adjustments to calculate EPRA NTA	0.1	0.2	-
EPRA NTA	948.6	630.0	781.4
Number of ordinary shares	699.8	521.4	621.8
EPRA NTA per share	135.5p	120.8p	125.7p
Dividend paid post period end	(1.5)p	-	-
EPRA NTA per share (ex dividend)	134.0p	120.8p	125.7p

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

- The Board proposed and approved a dividend of 1.5p per share for the quarter ended 30 September 2021

Acquisitions and disposals

- The Group exchanged contracts to forward fund a Lidl grocery store and Lock n' Store self-storage unit anchored scheme in Basildon, Essex with a total funding commitment of £19.5m, reflecting a 5.1% NIY
- The Group sold the parade of shops that was originally acquired ancillary to the Co-op portfolio purchased in 2020 at a 100% premium to purchase price

Debt

- The Group has full credit approval and is in the documentation stage to extend its revolving credit facility by an additional £65m commitment from Barclays Bank

28. Controlling parties

There is no ultimate controlling party of the Group.

NOTES TO THE EPRA AND ALTERNATIVE PERFORMANCE MEASURES

EPRA NAV measures

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

As at 30 September 2021	Current measures			Previous measures	
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA NAV £m	EPRA NNNAV £m
Net asset value	948.5	948.5	948.5	948.5	948.5
Mark-to-market adjustments of derivatives	-	-	-	-	-
Fair value of debt	-	-	(3.2)	-	(3.2)
Real estate transfer tax	-	59.2	-	-	-
At 30 September 2021	948.5	1,007.2	945.3	948.5	945.3
Number of ordinary shares (million)	699.8	699.8	699.8	699.8	699.8
Per share	135.5p	144.0p	135.1p	135.5p	135.1p

As at 30 September 2020	Current measures			Previous measures	
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA NAV £m	EPRA NNNAV £m
Net asset value	629.8	629.8	629.8	629.8	629.8
Mark-to-market adjustments of derivatives	0.2	0.2	-	0.2	-
Fair value of debt	-	-	(20.4)	-	(20.4)
Real estate transfer tax	-	54.7	-	-	-
At 30 September 2020	630.0	684.7	609.4	630.0	609.4
Number of ordinary shares (million)	521.4	521.4	521.4	521.4	521.4
Per share	120.8p	131.3p	116.9p	120.8p	116.9p

As at 31 March 2021	Current measures			Previous measures	
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	EPRA NAV £m	EPRA NNNAV £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	-	-	-
At 31 March 2021	781.4	846.2	776.1	781.4	776.1
Number of ordinary shares (million)	621.8	621.8	621.8	621.8	621.8
Per share	125.7p	136.1p	124.8p	125.7p	124.8p

EPRA NIY and EPRA 'Topped Up' NIY

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m
Investment property - wholly owned	1,216.6	892.7	938.4
Less: development properties	(164.4)	(200.0)	(153.2)
Completed property portfolio	1,052.2	692.7	785.2
Allowance for estimated purchasers' costs	71.6	47.1	53.4
Gross up completed property portfolio valuation (B)	1,123.8	739.8	838.6
Annualised passing rental income	61.1	48.0	49.3
Less: contracted rental income in respect of development properties	(6.6)	(9.6)	(6.6)
Property outgoings	-	-	-
Annualised net rents (A)	54.5	38.4	42.7
Contractual increases for lease incentives ²	26.0	11.6	12.0
Topped up annualised net rents (C)	80.5	50.1	54.6
EPRA NIY (A/B)	4.8%	5.2%	5.1%
EPRA Topped Up NIY (C/B)	7.2%	6.8%	6.5%

EPRA Vacancy Rate

	30 September 2021 £m	30 September 2020 £m	31 March 2021 £m

Annualised estimated rental value of vacant premises	-	-	-
Portfolio estimated rental value ³	54.5	39.7	42.6
EPRA Vacancy Rate	0%	0%	0%

EPRA Cost Ratio

	Half-year ended 30 September 2021 £m	Half-year ended 30 September 2020 £m	Year ended 31 March 2021 £m
Property operating costs	-	-	-
Vacant property costs	-	-	-
Administration expenses ⁴	4.4	2.7	5.9
Total costs (both including and excluding vacant property costs⁵)	4.4	2.7	5.9
Total gross rental income	25.4	20.3	42.8
Total EPRA cost ratio (including and excluding vacant property costs)	17.3%	13.3%	13.8%

Total NAV return

	Half-year ended 30 September 2021 p	Half-year ended 30 September 2020 p	Year ended 31 March 2021 p
EPRA NTA per share at beginning of the period	125.7	124.3	124.3
EPRA NTA per share at end of the period	135.5	120.8	125.7
Change in EPRA NTA per share in the period	9.8	(3.5)	1.4
Dividend per share paid in the period	1.5	2.7	50.5
Total of change in EPRA NTA and dividend per share	11.3	0.8	6.9
Total NAV return	9.0%	-0.6%	5.6%

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

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

3 Excludes contracted rents receivable on development properties

4 The Group does not have a policy of capitalising overheads and all administrative expenses are recognised in the P&L in the period to which they relate

5 The Group has no vacant property costs

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

IR EAEFDANFFAA

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.