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Interim Report

For the half-year ended 30 September

**2023**



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**LXi REIT plc** (the “Company”), the specialist long income real estate investment trust, aims to provide shareholders with secure, attractive, and inflation-protected returns. Our investment objective is to sustainably grow the dividend in absolute terms through upward-only index-linked rent reviews and long-term lease agreements and provide capital growth over the medium-term.

We selectively invest in commercial property assets predominantly in the UK, let on long (typically 20 to 30 years to first break), inflation-protected leases to institutional-quality tenants across a diverse range of structurally supported property sub-sectors. Our assets demonstrate robust underlying property fundamentals, including low starting rents and strategic importance to the tenant operator.

We also carefully invest in fixed-priced forward funded developments, provided they are pre-let to an acceptable tenant and full planning permission is in place. The Company, along with its subsidiaries (together, the “Group”), does not undertake any direct development activity nor assume direct development risk.

The Company, a real estate investment trust (“REIT”), is listed on the premium listing segment of the Official List of the Financial Conduct Authority and was admitted to trading on the main market for listed securities of the London Stock Exchange in February 2017.

The Company is a constituent of the FTSE 250 Index, FTSE EPRA/NAREIT Global Real Estate Index Series, MSCI index and STOXX Europe 600 index.

# Highlights

## Financial Highlights

Alternative performance measures	Half-year to 30 September 2023	Half-year to 30 September 2022	Change
EPRA EPS	4.07p	3.63p	+12.1%
Adjusted cash EPS	3.44p	3.06p	+12.7%
Dividend per share	3.30p	3.15p	+4.8%
EPRA cost ratio (including and excluding vacant property costs)	7.1%	12.6%	-5.5pts
Total Expense Ratio (annualised)	0.6%	0.9%	-0.3pts
Total accounting return	-4.5%	0.1%	-4.6pts
	As at 30 September 2023	As at 31 March 2023	Change
Portfolio value <sup>1</sup>	£3,191.4m	£3,356.3m	-4.1% LFL
EPRA NTA per share	114.1p	121.1p	-5.8%
EPRA NTA per share (ex-dividend) <sup>2</sup>	112.4p	121.1p	-7.1%
Pro forma net LTV <sup>3</sup>	38%	37%	+1pts
	Half-year to 30 September 2023	Half-year to 30 September 2022	Change
IFRS performance measures			
Net rental income	£124.6m	£75.5m	+65.0%
Operating profit before fair value changes	£115.9m	£66.0m	+75.6%
Earnings per share	-4.85p	-2.27p	-2.58p
	As at 30 September 2023	As at 31 March 2023	Change
Investment property at fair value <sup>1</sup>	£3,450.1m	£3,601.9m	-4.4%
Net assets	£1,995.7m	£2,108.1m	-5.3%
NAV per share	116.4p	123.0p	-5.4%

### Earnings driven by rental growth and sector leading low cost ratios, supporting progressive dividend

- EPRA earnings per share ("EPS") up 12.1% to 4.07p (30 September 2022: 3.63p), and Adjusted cash EPS up 12.7% to 3.44p for the period (30 September 2022: 3.06p), driven by sustainable growth from index linked or fixed rental growth and low cost ratios, underpinning the Company's progressive dividend policy
- Contracted annual rental income of £204.2m at 30 September 2023, up from £202.2m at 31 March 2023 as a result of 84 rent reviews, equating to 49% of contracted rent, with an average increase of 3.6%pa in the period, coupled with strong rent collection in the period of 100%. A

further 65 rent reviews will take place in the second half of the year, reflecting 12% of current contracted rent

- Sector leading EPRA cost ratio of 7.1% (30 September 2022: 12.6%) and total expense ratio of 0.6% (30 September 2022: 0.9%), underpinned by our dynamic management fee structure
- Dividend per share of 3.30p in respect of the period (30 September 2022: 3.15p per share), representing 5% growth on the prior period

### Resilient performance from UK's leading sector diversified long income real estate portfolio

- Portfolio independently valued at £3,191.4m (31 March 2023: £3,356.3m), reflecting a like for like

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change of (4.1)%. The movement reflects an outward yield shift of 30 bps to 5.7% at 30 September 2023 (31 March 2023: 5.4%), offset by rental growth of 1.9%

- EPRA NTA (ex-dividend)<sup>2</sup> per share of 112.4p (31 March 2023: 121.1p), reflecting a fall of 7.1%, primarily driven by yield expansion across certain property sectors in response to wider economic conditions
- The Group owns an inflation linked portfolio of 348 properties that are 100% let with an aggregate valuation of £3.2bn at 30 September 2023, contracted annual rental income of £204.2m and a WAULT to first break or expiry of 26 years
- Assets are diversified across a broad range of resilient sub-sectors with high barriers to entry, strong underlying property fundamentals and low starting rents, and are let on very long-term leases and FRI terms to tenant counterparties that have a proven track record of strong performance across previous challenging economic cycles
- Properties are strategically important to the operations of our diverse range of institutional-quality tenants, underpinning the longevity and security of the Group's income streams
- Shareholders continue to benefit from the certainty provided by the Group's fully let, highly diversified, triple-net portfolio of secure real estate assets, sector leading low expense ratios and a conservative, 100% fixed or capped<sup>4</sup> debt position

#### Further strengthening of balance sheet

- Pro forma net loan to value ("LTV")<sup>3</sup> ratio of 38% (31 March 2023: 37%), with headroom to our medium-term borrowing policy cap of 40% and comfortable covenant headroom on the financial covenants within the loan facilities

- During the period, the Company completed a significant refinancing programme comprising:
  - A new facility totalling £565m, comprising three and five-year term loans and a five-year revolving credit facility
  - A new £148m 16-year debt facility
- The Group's weighted average term to maturity is now 5 years and has a weighted average interest cost of 4.7% with 100% of drawn debt fixed or capped<sup>4</sup>

#### Delivering on our Environmental, Social and Governance ("ESG") strategy and ambitions

- Over the last 12-18 months, the Company has progressed from an ambition to develop a Net Zero plan for the portfolio to publishing our roadmap and embarking on its delivery
- This aligns with our overall objective to add value through asset management opportunities across existing properties as our occupiers continue to seek further investment into their leased sites in line with their own Net Zero targets. We work collaboratively with our tenants to reach these shared goals and monitor our progress carefully against our peer group
- Improving the quality and transparency of our ESG reporting to investors and other stakeholders has been a top priority over the last 12-18 months. This commitment to ESG reflects our wider commitment to good stewardship, as we pledge to transition to a fully environmentally sustainable business and deliver value to society beyond purely financial returns

## Highlights (continued)

### Portfolio summary

	As at 30 September 2023	As at 31 March 2023
WAULT to first break	26 years	27 years
Number of assets	348	350
Number of tenants	84	84
Let or pre-let	100%	100%
Portfolio diversification by sector (by contracted annual rent)		
- Healthcare	23%	22%
- Budget hotels	21%	21%
- Leisure	19%	19%
- Foodstores	9%	10%
- Industrials	7%	7%
- Others	21%	21%
Rent review type (upward only)		
- RPI	25%	26%
- CPI	39%	38%
- Fixed	34%	34%
- Open market	2%	2%
Regular predictable rental growth profile		
- Annual reviews	57%	56%
- Five yearly reviews	43%	44%
- Capped index-linked uplifts	60%	60%
- Weighted average cap	4.0%	3.9%
- Collared index-linked uplifts	56%	56%
- Weighted average collar	1.1%	1.2%

### Strong alignment

- Strong Management Team and Board alignment to shareholders with over 5% shareholding at 30 September 2023

### Post period end highlights

#### Dividends

- Paid the 1.65p per share dividend relating to the quarter ended 30 June 2023
- Announced a dividend of 1.65p per share for the quarter ended 30 September 2023, keeping the Group on track to meet its dividend per share target of 6.6p for the year, which is expected to be fully covered

#### Debt refinancing

- On 10 November 2023 the Group agreed a two-year extension of the £60m HSBC facility, taking the expiry date of the facility out to December 2026.

The facility has a margin of 2.05% and there is currently a cap in place until December 2024 meaning an all-in interest cost of 4.55%. The Group expects to hedge the cost of the extended term of the HSBC Facility in due course

#### Disposals

- The Company confirms that it is under offer, and in solicitors' hands, on the sale of 66 Travelodge hotels for a combined sum of £210m, which is in line with book value as at 30 September 2023. The sale remains subject to contract and due diligence, and there is therefore no certainty that the sale will complete. Upon completion, these targeted sales would:

- lower LTV from 38% to 34%
- further strengthen the security of our income by reducing tenant concentration



## Outlook

- Our priority is to continue to own profitable assets that are attractive to tenant operators in sectors with the most positive and stable outlook. In doing so we will continue to provide attractive, sustainable, inflation-protected income returns with the potential for capital growth to our shareholders
- Our strategies of timely capital, moving in and out of sub-sectors, financing tenant growth ambitions through sale and leasebacks and our ability to forward fund pre-let developments provide a platform with significant accretive opportunities that we are confident will continue to deliver attractive returns sustained over the longer term
- The company is actively pursuing a disposals strategy to reduce leverage and demonstrate the value of our underlying NAV
- Capital recycling will also allow us to reduce tenant concentrations and further diversify the portfolio
- We continue to receive significant unsolicited interest in the Company's high quality portfolio and expect to continue to selectively sell assets where capital could be better allocated to enhance shareholder returns
- Notwithstanding the challenging wider economic headwinds, we remain confident that the underlying characteristics of our carefully curated portfolio, supported by our proactive accretive recycling of capital and asset management strategies, will enable the Group to deliver outperformance over the medium term

## 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 2023 Annual Report and in the Additional Information on page 129 of the report.

- 1 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
- 2 The EPRA NTA per share (ex-dividend) is stated after deducting the dividend of 1.65p per share in respect of the quarter ended 30 June 2023, that went ex-dividend on 14 September 2023 and was paid on 13 October 2023
- 3 Pro forma net LTV is stated after adjusting the value of investment properties (the denominator) for property transactions that have exchanged but not completed and for costs to complete forward funded assets and net debt (the numerator) for property transactions that have exchanged but not completed plus associated transaction costs and for costs to complete forward funded assets
- 4 87% of total committed debt at 30 September 2023 is hedged or fixed to full term maturity

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# Chairman's statement



CYRUS ARDALAN  
Chairman

## Dear shareholder

LXi is the UK's leading diversified, long income REIT with a substantial £3.2bn portfolio, as of September 2023, delivering consistent income and dividend growth along with capital protection to our shareholders.

The past year has been a challenging period for the industry. Inflation has remained stubbornly high with the Bank of England's Monetary Policy Committee raising interest rates three times with current sentiment suggesting rates will remain 'higher for longer'. This has led to a significant expansion in property yields and increased funding costs. Notwithstanding this, LXi's strong operational performance and robust rental growth have served to mitigate the impact on net asset value.

The performance of the Group, notwithstanding the macroeconomic headwinds faced in the period, is testament to the resilience of our strategy, portfolio and capital structure. Our assets are well diversified across a broad range of sectors with high barriers to

entry, strong underlying property fundamentals and attractive and sustainable rents. The portfolio is let to tenant counterparties that have demonstrated strong performance throughout the current and previous economic cycles and have, in many cases, continued to outperform in the prevailing economic climate. It is testament to the diversified nature of the portfolio, that has been carefully curated from inception, and our proactive asset management, that we are able to weather this storm effectively.

The fall in capital values (4% like for like valuation reduction in the period), is in line with prevailing market conditions. This has, in part, been mitigated by inflation linked income returns underpinning a growing dividend, up 5% on the previous year, and with the potential for further growth with a further increase anticipated next year.

We believe that portfolio diversification serves as a key risk management tool over the medium term, reducing volatility and enhancing returns. Simultaneously, our index linked rent reviews form the bedrock to capturing rental growth and generating a predictable and growing income return secured against a variety of investment grade covenants. Our conviction remains that our diversified long income strategy provides shareholders with real estate exposure truly anchored in robust property fundamentals.

The granularity of the portfolio enhances both the Company's diversification and liquidity, with two asset sales completing in the period at prices at or in excess of book value. This provides comfort that in a rapidly changing interest rate environment our valuations remain robust, and the assets remain liquid.



### Strong and resilient capital structure

Across the peer group, as share prices and valuations have fallen, debt management has become an area of increased focus. Our comprehensive debt financing, which completed in April 2023, has shielded LXi from imminent further interest rate fluctuations and has established a stable capital base from which to operate effectively during these uncertain economic times. The Company has an average debt maturity of 5 years, a well staggered maturity profile and an average cost of debt of 4.7% pa, providing protection to the Company's long term progressive dividend policy.

At 30 September 2023, pro forma net LTV stands at 38%, remaining within the stated range of 30% to 40%. However, we remain committed to reducing LTV to the medium to long term target of 30-35%. This will be achieved both through selective disposals and value enhancing asset management transactions, as well as by valuation gains that are anticipated as interest rates level off and return to their long run average. The Company's current drawn debt position is fully hedged, negating its exposure to any potential further interest rate rises.

Our portfolio, debt strategy and scale have also been pivotal in securing our cost-effective debt profile. This has been underpinned by our S&P Investment Grade credit rating, which should facilitate future refinancing events, providing flexibility and enhancing the Company's earnings potential.

### The benefits of our resilient strategy and portfolio of sector diversified long income real estate

The Group portfolio is valued at £3.2bn at 30 September 2023 comprising of 348 properties with contracted annual rental income of £204.2m and a very long WAULT to first break of 26 years. Our income is 98% index linked or has fixed uplifts, and I am pleased to report 84 rent reviews, equating to 49% of contracted rent, with an average increase of 3.6% pa in the period.

The scale of our operations and our resilient strategy has enabled the Company and its shareholders to also benefit from a sector leading, low total expense ratio of 0.6%. In addition, our inflation linked rent review strategy provides certainty of future rental increases. Avoiding adversarial rent review negotiations with our tenants has helped foster a collaborative and mutually beneficial working relationship, providing a platform for constructive negotiation when we are seeking to pursue accretive asset management initiatives within the portfolio.

### Continuing to enhance our Environmental, Social and Governance ("ESG") strategy, reporting and objectives

ESG matters are important to the Board, and we carefully consider both the associated risks and opportunities on an on-going basis, which is being fully integrated within our business and growth strategy. Within the property industry there remains a lack of clarity around ESG factors, including the implementation of EPC targets and structural changes impacting certain sectors, including, in particular, the case of long FRI leases such as ours, where the key issue of where liabilities lie between landlords and tenants remains unresolved.

Over the last 12-18 months, the Company has progressed from an ambition to develop a Net Zero plan for the portfolio to publishing our roadmap and embarking on its delivery. This aligns well with our overall objective to add value through asset management opportunities across existing properties, as our occupiers continue to seek further investment into their leased sites in line with their own Net Zero targets. We work collaboratively with our tenants to reach these shared goals and monitor our progress carefully against our peer group.

Improving the quality and transparency of our ESG reporting to investors and other stakeholders has been one of our priorities over the last 12-18 months. This commitment to ESG reflects our wider commitment to good stewardship pledging to transition to a fully environmentally sustainable businesses and to deliver value to society beyond purely financial returns.

### Board

I would like to express my thanks to the Board for their continued commitment and engagement, showing steady stewardship to the Company through recent challenging conditions. It is often said that there is no substitute for experience and this has been as true as ever in recent times. Each member of the Board brings their unique insight and expertise along with valuable knowledge of the Company's assets. I very much look forward to continuing to work closely with the Board to help steer the business to further success.

### Outlook

The Company provides a stable platform from which we will be able to further leverage our scale, experienced management team, and low cost base, to continue to optimise our portfolio to create and deliver attractive value, growth and outperformance to our shareholders.

We see attractive opportunities for the Company to generate further accretive value for our shareholders through:

- actively pursuing disposal strategies to reduce leverage and demonstrate the value of our underlying NAV
- capital recycling which will allow us to reduce tenant concentrations and further diversify the portfolio
- value opportunities in our existing portfolio through lease re-gears, strengthening relationships with key tenants and other asset management initiatives;
- continuing to be highly selective but remaining open to compelling opportunities created by market uncertainty:
  - possibility to benefit from structural change within open-ended funds that have traditionally held large prime long income portfolios
  - taking advantage of sale and leaseback opportunities arising from large corporates as their historic low-cost bonds mature
- to explore opportunities for consolidation and M&A in the long income sector which are afforded to us by the scale and diversified nature of our portfolio and investment strategy coupled with the expertise and skills of our management team

With forecasts for inflation stabilising and interest rates quite possibly reaching terminal level, we are increasingly confident that the repricing which has impacted the property market will begin to reverse in the latter part of this year. Properties with defensive qualities tend to be those that rebound the quickest, with LXi well positioned to benefit.

Uncertain markets are a time to focus ever more clearly on the fundamental principles of good estate management. We continue to use diversification as a powerful risk mitigation tool, the portfolio is 100% occupied and we consistently collect 100% of our inflation linked rent. We nurture close relationships with our tenants and continue to extract maximum value from our portfolio. There are exciting initiatives underway to extend lease terms and enhance both security and value from existing assets. Whilst some uncertainty and risk remain, we see further green shoots emerging and remain confident that the Company will continue to deliver secure, growing income along with the potential for capital growth and attractive total returns.

Cyrus Ardalan

Chairman

29 November 2023





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# Investment Advisor's report

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 as included in the Glossary in the Annual Report available on our website.

## Portfolio overview

The Group's portfolio comprises 348 fully let and well diversified long income properties across 13 sub-sectors with multiple underlying uses. The assets are let on very long leases averaging 26 years to first break, to over 80 separate tenant operators on low and sustainable rents. All leases are granted on full repairing and insuring terms, protecting the Group from property cost leakage and capex requirements. We own key operating assets in structurally supported sectors, which drive reliable, compounding income and growth.

The Group's lease arrangements provide contracted annual rental income of £204.2m. The lease rent review provisions provide inflation protection with 98% of the reviews by rental value either containing index linked or fixed rental uplifts. Rents are reviewed on an annual (57%) or five yearly (43%) cycle.

The expectation at the start of the reporting period of stagnant medium term economic growth, elevated levels of inflation and higher for longer interest rates across global economies significantly impacted property values in the UK. Long income property value has traditionally correlated more closely with GDP growth rather than interest rates, however, this linkage seems to have decoupled in recent times. Investment in property as an alternative income asset class has markedly risen due to its favourable spread compared to gilts, alongside other debt and equity investments. However, as this gap has tightened and even reversed through interest rate hikes, inflation-linked long lease properties have experienced a significant yield shift.

The Company's defensive characteristics, with very long indexed leases, broad diversification and a proactive management style have provided partial protection. The portfolio was independently valued at

£3,191.4m (31 March 2023: £3,356.3m) with contracted rental income of £204.2m per annum, reflecting a like for like change of (4.1)%. The movement reflects an outward yield shift of 30 bps to 5.7% at 30 September 2023 (31 March 2023: 5.4%), offset by rental growth of 1.9%.

Our strategy remains to invest in assets that are mission critical to our tenants' operations in defensive sectors with a stable outlook and high barriers to entry. Last year's merger with Secure Income REIT plc enhanced both the defensive characteristics of the portfolio and its income security. It has provided additional accretive asset management opportunities, some of which have already come to fruition and are detailed below. Additionally, selective disposals have and will continue to provide the ability to reduce sector and tenant concentration, repay debt, reduce leverage and to redeploy capital opportunistically.

## Sector exposures

The portfolio is well diversified across a broad range of resilient sub-sectors with high barriers to entry, strong underlying property fundamentals, and low starting rents. The assets are let on long-term leases to tenant counterparties which have demonstrated strong performance throughout previous economic cycles. Tenants are reliant on our assets to maintain operations, providing embedded structural support beyond a typical real estate lease.

This multi-sector diversification provides downside protection and offers a broad universe of assets in which to deploy capital.

The Group's sector weightings are as follows:

Healthcare – 23% (30 September 2022: 22%)

Healthcare is the Company's largest sector by capital and rental value with a mix of assets across acute, specialist, care homes and assisted living. The sector continues to be underpinned by strong demand drivers and supply constraints. Transactional activity has continued, albeit at a reduced pace to recent highs and there has been some downward pressure on pricing in the sector, largely due to wider economic factors rather than underlying sector principles.



Acute hospitals account for 80% of the healthcare portfolio and 18% of the total portfolio by rent. All acute hospital assets are let to Ramsay Health Care Limited (Ramsay) which operates a global network of clinical practice, teaching and research facilities. Ramsay operates from ten countries, with over 11 million admissions and patient visits to facilities in more than 530 locations. Through the guarantees on each of the Ramsay leases, the Group has the benefit of this substantial, listed parent with its global operations.

In August 2023, Ramsay published its 2023 full year results for the year ended 30 June 2023. The UK region results benefited from good volume growth and improvement in the acute hospital business from both the public and private sectors. Ramsay UK reported a 10.8% increase in revenue from £1,037m to £1,149m, driven by a 14.4% increase in admissions with growth in both private and public channels. NHS volumes increased by 16.0% and private volumes increased by 10.4%. Excluding the impact of non recurring items, the business reported a significant turnaround in EBIT from negative \$4.8m to positive \$77.3m.

Strong occupier demand, high barriers to entry, long indexed-linked leases and the opportunity to deliver on ESG strategies underpin the Company's long-term commitment to this sector that we expect will continue to a resilient performance.

### Hotels – 21% (30 September 2022: 21%)

Savills report UK hotel transactions for the first half of 2023 at £825m, some 66% below the 10-year first half average, citing the rising cost of debt and the resultant mismatch between seller and buyer expectations. Private buyers are continuing to dominate activity at lower ticket prices as they are less driven by debt and more focused on wealth preservation and the inflation hedge that budget hotel leases offer.

The sector has continued to show excellent performance operationally. The speed of recovery post pandemic has been well reported with both Travelodge and Premier Inn reporting record performance in

Revenue per Available Room, driven by a strong uplift in average daily rates. The UK regions led the initial recovery, fuelled by the staycation trend which has continued throughout 2023. However, London has also seen its performance accelerate in 2023 as international tourism recovers.

There is a clear divergence of investor appetite between the leading operators, Premier Inn and Travelodge. Whitbread bought the freehold of the Premier Inn at Holborn for 4.75% NIY, the first Premier Inn investment deal seen following the UK's problematic mini budget in September 2022. Since then, further deals have completed at Borehamwood, Dalston and Ringwood, demonstrating a tightening towards pre-covid yields. However, more recently the consultancies are reporting sentiment trending back out. Travelodge's continued record trading performance has helped the market to improve. This is supported by the strong interest which we have in our Travelodge portfolio which is now under offer.

Travelodge accounts for 18.1% of the portfolio rent roll, across 135 assets with an average lot size of £3.7m. Premier Inn accounts for 1.3% of the portfolio rent roll, across 7 assets with an average lot size of £6.6m.

### Leisure – 19% (30 September 2022: 19%)

This sector gives the Group exposure to a diverse, uncorrelated sub sector, secured against the leading operator in the UK, Merlin Entertainments. Merlin operates major attractions in the UK, including our assets Alton Towers, Thorpe Park and Warwick Castle. They are the only operator of UK attractions to feature in the Aecom's Top 20 attended attractions for EMEA in 2021.

Merlin is Europe's largest, and the world's second largest, visitor attraction operator with 142 attractions in 25 countries. In 2022 Merlin welcomed 55 million visitors to their attractions (2021:35 million) with revenue of £2bn, increasing by £699m on 2021. This sub sector of UK leisure and hospitality has proven to be non-cyclical and benefits from a level of discretionary spend consumers are not willing to



forgo. Merlin reported continued growth in revenue and Adjusted EBITDA for the first half of 2023, supported by ongoing recovery in international tourism driving growth for gateway city clusters. The Resort Theme Parks Operating Group has built on a strong 2022 trading result with further revenue growth in the first half of 2023.

Merlin continues to invest heavily in its estate. Works are advanced at Thorpe Park for a new rollercoaster due to open in 2024 with a capital investment from Merlin of c.£20m. The Company works closely with Merlin to realise opportunities within the estate and have agreed to fund the development of a new 60-bedroom hotel at Warwick Castle, set to open in 2024.

Given the significant barriers to entry for any new theme park sites in the UK, and the very long inflation linked income on the Merlin assets with over 53 years to expiry, the Company sees this sector as providing a key source of long term, defensive and diversified income.

The Group benefits from a parent company guarantee on all of our Merlin assets from Merlin Entertainments Limited providing increased levels of security.

#### **Foodstores and Essentials – 9% (30 September 2022: 10%)**

Despite an improvement in investment demand and liquidity throughout the period in foodstores, transaction volumes remain lacklustre due to limited availability of stock. There has been a bifurcation in investor pricing in the sector with Tesco, Aldi, Lidl and Sainsburys trading at a much sharper yield than their PE owned peers in Morrisons and Asda.

However, the asset class remains an important sector for the Group and underlying occupational demand remains strong. It is a sub-sector that forms an essential part of the structure of the economy with significant non-discretionary spend. Our assets have been carefully selected, are well located, rack rented or reversionary and have long inflation linked leases.

They are let to a variety of well-established occupiers and we anticipate they will continue to perform well in the medium term as capital markets stabilise.

Numerous foodstore development projects have become financially unviable in the past eighteen months due to rising construction costs and widening capitalisation rates. Consequently, to facilitate the development of these projects, supermarket tenants have notably raised the rents they are willing to pay. As a result, there are indicators of rental growth in this subsector, a trend that hasn't been evident for over ten years.

We continue to see value in asset purchases in this sector by working with major operators on sale and leaseback opportunities and from open ended long income funds disposing of standing investments to meet their redemption requirements.

#### **Industrial – 7% (30 September 2022: 7%)**

The Group's industrial assets are generally underpinned by their strategic, often business-critical, importance to the occupiers across several uses. They are let on long inflation linked leases to a range of strong covenants and, in many cases, rents are reversionary. Generally, rent reviews are subject to 4%pa capped uplifts, securing inflation protected growth in the long run, whilst ensuring that rents remain affordable for occupiers. At purchase, we target assets where vacant possession value is close to, or sometimes in excess of, the purchase price.

From a valuation perspective, the prime equivalent yield has remained steady at 5.25% during the initial months of 2023 (compared to around 3.50% in Q1 2022). The sector has been largely unaffected by the general decrease in investment volumes, as investors have taken a more meticulous approach to evaluating assets against a challenging market backdrop. Investment volumes for the first half of 2023 have totalled approximately £1bn, marking a substantial decline from the record volumes achieved in the first half of 2022.

Development supply in the market has shown indications of slowdown, with the amount of space under construction remaining stable and completions decreasing by approximately 50% compared to the previous quarter. Development financing has grown more challenging as construction costs have surged over the past 12-months.

Looking forward, it is anticipated that occupier demand will remain resilient, and that industrial property development will continue to be constrained by inflated build costs putting upward pressure on rents in the medium term.

It is anticipated investors will begin to chase this rental growth, exerting downward pressure on yields in the medium term. The Group's industrial assets are well positioned to benefit from this recovery.

### Other – 21% (30 September 2022: 21%)

The Company's diversified strategy offers investors exposure to a wide array of assets and tenants, creating a truly diversified portfolio. The largest sectors, detailed above, account for 79% of the Company's total holdings. The remaining 21% includes leisure, pubs, the Manchester Arena, car parks, garden centres, life sciences, drive-thru coffee pods and education. For a detailed breakdown, refer to the property portfolio section below.

### Acquisitions and disposals

The Company acquired one asset in the half year, a foodstore forward funding in Largs, Scotland, with a maximum commitment of £5.7m. The asset is pre-let to Marks and Spencer Plc on a 15 year lease, with a five yearly rental uplifts at a fixed growth rate of 2.5% pa. It is expected the asset will reach practical completion in Q2 2024.

The Company disposed of the following assets in the period for proceeds totalling £32.7m:

- A multi-let asset in St Albans let to B&Q as an anchor tenant. The investment generated a 10.6% return over the Company's 4 year period of ownership
- A car showroom in Newcastle, sold to an owner occupier at book value

### Asset management updates

#### EPCs

The Company continues to monitor energy performance across its portfolio. Since April 2023, certificates for 66 units (10.7% total portfolio value) have been successfully assessed to meet current MEES compliance levels. Of those units added in the period, 86% were given a rating of 'C' or above, and 60% achieved a minimum 'B' rating.

#### Development

During the period three assets subject to forward funding agreements have reached practical completion:

#### Lidl and Lok n' Store, Basildon, Essex

The Company's development in Basildon is anchored by a Lidl foodstore and a Lok n' Store self-storage unit. Lidl has signed an unbroken 20-year lease, with five yearly RPI inflation-linked uplifts and Lok n' Store has signed an unbroken 25-year lease, with five yearly rental uplifts at a fixed growth rate of 2.5%pa.

#### Sainsbury's, Bewdley, Worcestershire

Sainsbury's is in occupation and trading from the pre-let forward funded unit in Bewdley, Worcestershire. The foodstore reached practical completion in July 2023 and is let on a 25-year term (with a break at year 15) with five yearly CPI linked rent reviews capped at 3% with a collar of 1%.

#### Lidl, East Ham

Sectional completion was achieved in August 2023 with practical completion of the wider site estimated to reach completion towards the end of 2023. Lidl has signed a new 25-year lease (with a tenant break at year 20), subject to RPI rent reviews capped at 3% with a collar of 1%.

In addition to the above sites, the practical completion of a Costa Coffee drive-thru unit in Kendal was also achieved in the period with new 15-year unbroken lease subject to RPI rent reviews.







A number of other pre-let forward fundings continue to progress on schedule for completion later in 2023 and early 2024. These comprise:

- **BT, Dundee.** A new telecoms facility let to BT for an unbroken term of 17.5 years, subject to five yearly CPI rent reviews which are uncapped with a collar of 1%
- **Costa Coffee, Oswestry.** A Costa Coffee drive-thru unit, subject to a new 15-year lease with RPI rent reviews capped at 4% with a collar of 1%
- **Marks & Spencer, Largs.** A 15-year lease to Marks & Spencer for a new foodstore with a 15-year term, subject to a five yearly rental uplift at a fixed growth rate of 2.5%pa
- **Tesco and Home Bargains, Houghton Le Spring.** This development comprises a foodstore let to Tesco for an unbroken 20-year term, with CPI linked rent reviews capped at 2.5% with a collar of 1%, and a retail unit let to Home Bargains for an unbroken 15-year term, with open market rent reviews and no cap or collar

### Rent collection

The Company's operational performance has remained robust throughout the period with 100% of rent due having been collected. The Investment Advisor works closely with both tenants and property managers to ensure timely payment of rent. The portfolio has 100% occupancy and 98% of rent reviews are inflation linked or subject to fixed uplifts. This further assists with the tenant relationships, removing the requirement for protracted rent review negotiations and enables businesses to plan effectively, which in turn encourages prompt rent payment.

### Inflation and rent reviews

Due to various geopolitical and macroeconomic factors, inflation has subdued slightly in the period compared with the year to 31 March 2023 and continues to trend downwards. CPI annual growth averaged 9.1% and RPI annual growth averaged 11.9% for the year to September 2023. The majority of the Group's 84 contracted rental uplifts in the period were capped or fixed, and delivered average growth of 3.6%pa, resulting in like for like rental growth of 1.9%.

The Group's portfolio income is 98% index-linked or contains fixed rental uplifts, which breaks down between RPI 25%, CPI 39% (Travelodge comprises 32% of this which are CPI + 0.5%) and fixed 34%. The Group's fixed uplifts average 2.7%pa. Of the Group's portfolio, 56% of the rents are subject to collared uplifts, which average 1.1% pa, and 60% are subject to capped uplifts, which average 4.0%pa. We therefore expect the Group to capture the vast majority of inflation over the medium-term. The Group is also well protected against lower inflationary periods through the provision of caps which protect the portfolio from overrenting during high inflationary periods and therefore enhances income security.

The portfolio undergoes rent reviews either annually (57%) or five yearly (43%). Over the following five year period, the Group expects the following percentage of rental income to undergo a review in each financial year:

Year ending 31 March	Annual	Five-yearly	Total
<b>2024</b>	57%	5%	62%
<b>2025</b>	57%	4%	61%
<b>2026</b>	57%	10%	67%
<b>2027</b>	57%	9%	66%
<b>2028</b>	57%	10%	67%

## Financial results

### Total accounting return

	30 Sep 2023	30 Sep 2022
<b>Half-year total accounting return</b>	<b>(4.5)%</b>	0.1%

The Group's total accounting return comprises income, through dividends received by shareholders, and capital returns, through changes in EPRA NTA during the period. A summary of the dividends paid and EPRA NTA movement is given below.

### EPRA NTA

	30 Sep 2023	31 Mar 2023
<b>EPRA NTA per share (ex-dividend)</b>	<b>112.4p</b>	121.1p

During the six-months, the EPRA NTA (ex-dividend) contracted 7.1%, broadly reflecting the outward shift in valuations during the six-month period, after the effect of leverage.

### Dividend per share

	30 Sep 2023	30 Sep 2022
<b>Half-year dividends per share</b>	<b>3.30p</b>	3.15p

In respect of the half-year, the Company has proposed dividends totalling 3.30p per share. The dividend per share reflects an increase of 5% on the previous half-year.

### Total expense ratio

	30 Sep 2023	30 Sep 2022
<b>Total expense ratio (annualised)</b>	<b>0.6%</b>	0.9%

### Loan to value

	30 Sep 2023	31 Mar 2023
<b>Pro forma net LTV</b>	<b>38%</b>	37%

In the medium-term, in line with our conservative leverage policy, our LTV is expected to be approximately 30%, which we expect to achieve through a combination of active and selective disposals and through the general recovery of the property sector. Current pro forma net LTV is well within the Group's borrowing policy cap of 40% and the Company maintains adequate headroom to all banking covenants.

## Investment Advisor's report (continued)

### Financing

The Group's debt pool is secured against the majority of the Group's investment properties and comprises the facilities listed below.

A summary of the facilities at 30 September 2023 are listed below:

Position as at 30 September 2023

Facility	Lender	Principal	Maximum cost	Maturity
Term loan	Scottish Widows	£55.0m	2.74%	Dec 2033
Term loan	Scottish Widows	£40.0m	2.74%	Dec 2033
Term loan	Scottish Widows	£75.0m	2.99%	Dec 2033
Leisure facility <sup>1</sup>	HSBC	£60.0m	4.55%	Dec 2024
Healthcare 1	L&G	£63.0m	4.29%	Sep 2025
Healthcare 2	AIG	£290.9m	5.30%	Oct 2025
New facilities in the period				
Institutional 1	Canada Life	£148.0m	5.75%	Mar 2039
Syndicate loan A	Lloyds, Barclays,	£115.0m	4.30% <sup>2</sup>	Jan 2028
Syndicate loan B	Santander, RBS International	£250.0m	4.15%	Jan 2026
Syndicate RCF	and Hai Tong	£200.0m	5.84% <sup>2,3</sup>	Jan 2028

We successfully completed a refinancing in April 2023, securing a new £565m secured interest-only debt facility with a syndicate of major clearing banks, including of a number of the Company's existing lenders.

The successful refinancing of a substantial nominal value of debt at favourable rates in a challenging economic climate underscores the quality of our assets, the robustness of our tenants and our strong relationships with lenders.

The Group manages interest rate risk by either fixing (by way of fixed rate facilities or swapping floating rates) or capping rates. Fixing the maximum rate of interest in this way 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 conservatively structured leverage. The Group monitors the headroom on ICR and DSCR covenants regularly and reports adequate headroom on all facilities throughout the period and currently.

The balance sheet is well positioned with pro forma net LTV of 38%. Our tightest covenant across the Group's secured facilities would require a 26% reduction in value to breach and the Group has unsecured assets and cash to use if required before any remedial action is taken.

The LTV is within our agreed range but is above our medium-term target. If yields remain flat, this would result in a material positive movement of the LTV to 36.4% in FY24 and 35.6% in FY25. We remain committed to a conservative medium-term LTV target of 30% and will continue to actively manage down our LTV through disposals and value enhancing asset management initiatives. We continue to receive significant unsolicited interest in the Company's high quality portfolio both for disposals and 'income strip' opportunities and expect to continue to selectively sell assets where capital could be better allocated to enhance shareholder returns.

1 In November 2023, the HSBC facility was extended by a further two years to December 2026; the new facility has a margin of 2.05% meaning an all in cost of 4.55% to December 2024. The Group will hedge the remaining extended term in the near future

2 Hedging in place to April 2026, from which point 48% of committed debt is hedged. The Group will hedge the remaining term in the near future

3 Rate based on drawn debt at 30 September



## Outlook

The Company is continuing to deliver a robust operational and financial performance, underpinned by a strong balance sheet and a best-in-class, long-income portfolio. From this platform, we aim to further leverage our scale, experienced management team, liquidity and low cost base to capture and generate attractive long term value to our shareholders and wider stakeholders.

The Group has continued its progressive dividend and earnings growth, with an announced dividend target of 6.6p for the year to 31 March 2024, an increase of 5% on the previous year. We expect the dividend will be fully covered by our cash adjusted earnings and to continue our dividend growth in 2025.

Our focus remains to:

- protect and enhance shareholder value through accretive recycling of capital, asset management initiatives and maintaining a very long WAULT and diversification
- reduce leverage through selective disposals, active asset management and capital recycling, to further strengthen our balance sheet and protect progressive income returns, supporting and potentially enhancing our investment grade credit rating
- continue to build a business which has the ability to grow profitably using innovative strategies to provide market leading returns to our shareholders

We see a number of opportunities such as assets coming out of open-ended funds due to redemptions and a number of corporate bonds are coming to maturity meaning they will need to find alternative sources of funding such as sale and leasebacks. The most significant opportunity we see is further M&A activity in the REIT market. Potential mergers can provide enhanced access to capital, liquidity and help to reduce our cost base. We believe we have shown the material tangible benefits which a merger can achieve through our transaction with Secure Income REIT plc.

The Government and Bank of England believe they have more certainty over inflation over the near term, with inflation expected to return to more normal levels by early next year.

The impact of inflation for the Group's rental income is positive, given the portfolio's rent review linkage to UK inflation (25% RPI, 39% CPI). We are, however, cognisant of the potential impact that current levels of inflation could have on the wider economy. This may also have an impact on the prospects of our tenant operators. However, this risk to tenants can be managed by the rent review caps to the mutual benefit of the Company and its tenants.

The interest rate rises used to combat inflation have meant that property values in the UK have been impacted, as was evident in the Groups valuation yield shifting to 5.7%. There are signs that the bottom of this value cycle has been met with the CBRE monthly index showing a fall of (0.6%) in capital values for first time since the repricing last year.

For and on behalf of the Investment Advisor

**Simon Lee**  
LXi REIT Advisors

29 November 2023

**Alex MacEachin**  
LXi REIT Advisors

29 November 2023



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# Environmental, social and governance

ESG matters are embedded high on the Board's agenda and we carefully consider both the associated risks and the opportunities on an on-going basis.

Over the last 12-18 months, the Company has progressed from an ambition to develop a Net Zero plan for the portfolio to publishing our roadmap and having embarked on its delivery. This aligns well with our objective to add value through asset management opportunities across existing properties, as our occupiers continue to seek further investment into their leased sites in line with their own Net Zero targets.

The Investment Advisor remains committed to bringing in additional resource where required, and the Board is pleased that Emma Hinds joined the Company's management team in November as ESG Associate. Emma will be working closely with Barbora Melezinkova, the Head of ESG, to further accelerate the delivery of our strategy. Barbora is also represented on the Group's Climate Risk Working Group which is chaired by Cyrus Ardalán, the Company's Chairman, underlining the importance of ESG to our business.

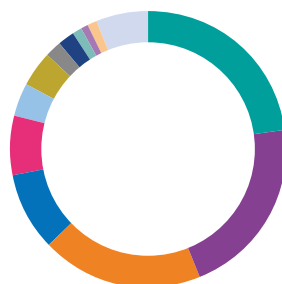
# Property portfolio

Tenant group	Contracted rent	Rental exposure
Merlin Entertainment	£39.3m	19%
Travelodge	£37.3m	18%
Ramsay Healthcare	£37.0m	18%
Q-Park	£4.6m	2%
SMG Arena	£4.6m	2%
The Brewery	£3.8m	2%
Bombardier	£3.7m	2%
Sainsburys	£3.5m	2%
Compass	£3.5m	2%
Dobbies Garden Centres	£3.3m	2%
Asda	£3.2m	2%
Capita	£2.9m	1%
Co-op	£2.9m	1%
Tesco	£2.8m	1%
Greene King	£2.7m	1%
Other tenants	£49.1m	25%
<b>Total</b>	<b>£204.2m</b>	<b>100%</b>

Unexpired lease term to first break	Contracted rent	Rental exposure
20-years+	£121.7m	60%
More than 14-years, fewer than 19-years	£27.6m	14%
More than 9-years, fewer than 14-years	£51.1m	25%
More than 5-years, fewer than 9-years	£0.7m	0%
Fewer than 5-years	£3.1m	1%
<b>Total</b>	<b>£204.2m</b>	<b>100%</b>

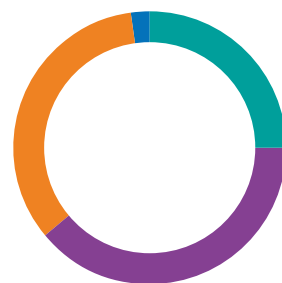
## SECTOR DIVERSIFICATION

	% of rental exposure
Healthcare	23%
Budget hotels	21%
Leisure	19%
Foodstores	9%
Industrial	7%
Pubs	4%
Arena	4%
Car parks	2%
Garden centres	2%
Life sciences	1%
Drive-thru coffee	1%
Education	1%
Other	6%



## RENTAL UPLIFTS

	% of rental exposure
RPI linked	25%
CPI linked	39%
Fixed uplifts	34%
Open market	2%



Location	Contracted rent	Rental exposure
South East	£39.6m	19%
West Midlands	£36.1m	18%
East of England	£30.9m	15%
North West	£24.4m	12%
Yorkshire and the Humber	£17.4m	9%
Scotland	£13.2m	6%
South West	£13.0m	6%
North East	£9.8m	5%
East Midlands	£8.2m	4%
Germany	£7.6m	4%
Wales	£2.8m	1%
Northern Ireland	£1.2m	1%
<b>Total</b>	<b>£204.2m</b>	<b>100%</b>







# 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 investment objective	Performance		Result
		30 September 2023	Comparative periods	
<b>1. Total NTA return</b> Total NTA 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.	Total accounting 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 accounting return is provided in the Additional Information section.	(4.5)%	(10.7)% (year ended 31 March 2023) 0.1% (half-year ended 30 September 2022)	The current year result is below the Group’s medium-term minimum target of 8% per annum, primarily driven by negative valuation movements, slightly offset by positive rental growth and higher dividends paid
Average compounded annual total accounting return since IPO		6.4%	7.5% (year ended 31 March 2023)	
<b>2. Dividend per share</b> Dividends paid to shareholders and proposed in relation to a period.	The dividend reflects our ability to deliver a low risk but growing income stream from our portfolio and is a key element of our total accounting return.	3.30p	6.30p (year ended 31 March 2023) 3.15p (half-year ended 30 September 2022)	During the year the Group targeted dividends on a quarterly basis and all dividend targets announced were met
Average compounded annual dividend growth since IPO		8.7%	9.5% (year ended 31 March 2023)	
<b>3. EPRA Net Tangible Assets (“NTA”) (ex-dividend)</b> A measure of NAV designed by EPRA to present the fair value of a company on a long term basis. Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	The NTA reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.	112.4p	121.1p (at 31 March 2023) 139.7p (at 30 September 2022)	EPRA NTA per share contracted by 7.1%
Average compounded EPRA NTA growth since IPO		2.1%	6.5% (year ended 31 March 2023)	



KPI and definition	Relevance to investment objective	Performance		Result
		30 September 2023	Comparative periods	
<p><b>4. Pro forma net loan to value</b> The proportion of our total assets that are funded by borrowings adjusted for full drawdown of committed capital increasing the net leverage and completion of assets under construction increasing the portfolio value. Our medium-term target LTV is 30%. See glossary for calculation.</p>	The LTV is a measure of the relative risk of our financing strategy, balancing the additional returns and portfolio diversification that come with using debt against the need to successfully manage risk.	38%	37% (at 31 March 2023) 33% (at 30 September 2022)	Above our medium term maximum target of 35%
<p><b>5. Adjusted cash earnings per share</b> Post-tax Adjusted earnings per share attributable to shareholders, which includes the licence fee receivable on our forward funded development assets treated under IFRS as discounts to investment property acquisitions and includes the caps received from our financial instruments. See note 26.</p>	The Adjusted earnings per share reflects our ability to generate cash flow from our portfolio, which ultimately underpins our dividend payments. A reconciliation of IFRS earnings to Adjusted is included in Note 26 to the consolidated financial statements.	3.44p	6.69p (year ended 31 March 2023) 3.06p (half-year ended 30 September 2022)	Reflecting 1.04x dividend cover
<p><b>6. Total expense ratio</b> The ratio of total operating expenses, including management fees expressed as a percentage of the average net asset value.</p>	The total expense ratio is a key measure of our operational efficiency. Maintaining a low cost base supports our ability to pay dividends.	0.6%	0.9% (year ended 31 March 2023) 0.9% (half-year ended 30 September 2022)	In line with our target
<p><b>7. Weighted average unexpired lease term</b> The average unexpired lease term of the leases in the property portfolio, to the earlier of tenant break or lease expiry, weighted by annual passing rents.</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.	26 years	27 years (at 31 March 2023) 26 years (at 30 September 2022)	In line with our investment objective
<p><b>8. Percentage of contracted rents index-linked or fixed</b> This takes the total value of contracted rents that contain rent reviews linked to inflation or fixed uplifts.</p>	This measures the extent to which we are investing in line with our investment objective, to provide inflation protected returns.	98%	98% (at 31 March 2023) 98% (at 30 September 2022)	In line with our investment objective

# 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 26 and 27 to the unaudited 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 2023	Comparative periods
<b>1. EPRA Earnings Per Share</b> A measure of EPS designed by EPRA to present underlying earnings from core operating activities.	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.	4.07p	8.29p (at 31 March 2023) 3.63p (at 30 September 2022)
<b>2a. EPRA Net Tangible Assets (“NTA”)</b> <b>2b. EPRA Net Tangible Assets (“NTA”) (ex-dividend)</b> An EPRA NAV per share metric which assumes entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	114.1p (112.4p ex div)	121.1p (ex div at 31 March 2023) 139.7p (ex div at 30 September 2022)
<b>3. EPRA Net Reinstatement Value (“NRV”)</b> An EPRA NAV per share metric which assumes entities never sell assets and aims to represent the value required to rebuild the entity.	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	125.8p	131.4p (at 31 March 2023) 156.3p (at 30 September 2022)
<b>4. EPRA Net Disposal Value (“NDV”)</b> An EPRA NAV per share metric which 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.	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.	112.2p	119.8p (at 31 March 2023) 138.6p (at 30 September 2022)

Measure and Definition	Purpose	Performance	
		30 September 2023	Comparative periods
<p><b>5. EPRA Net Initial Yield ("NIY")</b> Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.</p>	EPRA NIY is annualised net rents on investment properties as a percentage of the investment property valuation, less purchaser's costs.	6.0%	5.7% (at 31 March 2023) 5.2% (at 30 September 2022)
<p><b>6. EPRA 'Topped-Up' NIY</b> This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).</p>	<p>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).</p> <p>Note under IFRS stepped rents and collared uplifts are treated as lease incentives and as such are factored into the top up. As our leases are exceptionally long, this means that uplifts over a weighted average 26 years are taken into account, giving an unusually high Topped-Up Yield.</p>	8.8%	9.4% (at 31 March 2023) 8.4% (at 30 September 2022)
<p><b>7. EPRA Vacancy</b> Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.</p>	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	0%	0% (at 31 March 2023) 0% (at 30 September 2022)
<p><b>8. EPRA Cost Ratio</b> Administrative &amp; operating costs (including direct vacancy costs) divided by gross rental income.</p>	A key measure to enable meaningful measurement of the changes in a company's operating costs.	7.1%	9.5% (at 31 March 2023) 12.6% (at 30 September 2022)
<p><b>9. EPRA LTV</b> Net debt divided by total property portfolio and other eligible assets in line with EPRA guidance.</p> <p>(Note this is different to pro forma net LTV in our KPIs)</p>	A key (shareholder-gearing) metric to determine the percentage of net debt comparing to the appraised value of the properties	38%	36% (at 31 March 2023) 30% (at 30 September 2022)

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# Principal risks and uncertainties

The Board of LXi REIT plc has responsibility for risk management including reviewing the effectiveness of the risk management processes and internal controls which are operated by the Investment Advisor and the Administrator. As part of their risk management responsibilities, at least twice yearly the Investment Advisor undertakes a formal review to identify new risks and review existing risks.

This review considers the velocity of each risk to highlight significant emerging risks that are raised and discussed with the Board and Audit Committee. The principal risks are presented on page 29 of the 31 March 2023 Annual Report and have the potential to materially impact the execution of the Group's strategy and business model. There have been no changes to the principal risks in the period.

## GOING CONCERN

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

## Statement of Directors' responsibilities

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 22 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](http://www.lxireit.com).

For and on behalf of the Board

Cyrus Ardalan

Chairman

29 November 2023

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# Independent review report to LXi REIT plc

## 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 2023 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.

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 2023 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes.

## Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). 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.

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 International Accounting Standard 34, "Interim Financial Reporting".

## Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

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## Independent review report to LXi REIT plc (continued)

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

### Responsibilities of 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.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

### Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of 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, UK

29 November 2023

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





# Consolidated statement of comprehensive income

	Note	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Rental income	4	128.3	75.5	203.5
Property expenses	5	(3.7)	–	(5.3)
<b>Gross profit</b>		<b>124.6</b>	<b>75.5</b>	<b>198.2</b>
Administrative and other expenses	6	(8.7)	(9.5)	(18.8)
<b>Operating profit before movements in investment property and financial instruments</b>		<b>115.9</b>	<b>66.0</b>	<b>179.4</b>
Change in fair value of investment property	9	(161.3)	(80.3)	(406.7)
Change in fair value of financial instruments	17	13.3	25.0	22.2
Loss on close out of assets held for sale	10	(0.5)	(0.1)	(2.8)
<b>Operating (loss)/profit</b>		<b>(32.6)</b>	<b>10.6</b>	<b>(207.9)</b>
Finance income		0.1	0.1	–
Finance costs	7	(45.9)	(17.6)	(54.0)
Loss on extinguishment of debt	7	(4.1)	(20.6)	(20.6)
Loss on disposal of financial instruments	26	(0.3)	–	(4.6)
<b>Loss before tax</b>		<b>(82.8)</b>	<b>(27.5)</b>	<b>(287.1)</b>
Taxation	8	(0.3)	(1.7)	(1.0)
<b>Loss for the period</b>		<b>(83.1)</b>	<b>(29.2)</b>	<b>(288.1)</b>
<b>Other comprehensive income</b>				
Currency translation (loss)/gain		(2.3)	1.5	1.3
<b>Total comprehensive loss attributable to shareholders</b>		<b>(85.4)</b>	<b>(27.7)</b>	<b>(286.8)</b>
<b>Loss per share – basic and diluted</b>	26	<b>(4.9)p</b>	<b>(2.3)p</b>	<b>(19.2)p</b>

The notes on pages 37 to 80 form part of the consolidated financial statements.

# Consolidated statement of financial position

Company number: 10535081

	Note	30 September 2023 £m	30 September 2022 (restated) £m	31 March 2023 (restated) £m
<b>Non-current assets</b>				
Investment property	9	3,347.7	3,911.3	3,569.6
Fixed assets		0.2	0.2	0.2
Derivative financial instruments	17	40.0	-	29.3
<b>Total non-current assets</b>		<b>3,387.9</b>	<b>3,911.5</b>	<b>3,599.1</b>
<b>Current assets</b>				
Trade and other receivables	12	19.1	11.3	16.8
Amount receivable from 'income strip' sale	12	-	257.0	-
Deferred acquisition costs		0.1	0.1	2.6
Derivative financial instruments	17	-	39.8	3.1
Restricted cash	13	10.0	19.0	-
Cash and cash equivalents	13	102.0	95.3	74.4
		<b>131.2</b>	<b>422.5</b>	<b>96.9</b>
Investment properties held for sale	10	102.4	-	32.3
<b>Total current assets</b>		<b>233.6</b>	<b>422.5</b>	<b>129.2</b>
<b>Total assets</b>		<b>3,621.5</b>	<b>4,334.0</b>	<b>3,728.3</b>
<b>Current liabilities</b>				
Trade and other payables	14	82.0	112.2	82.6
Other financial liabilities	14	1.5	8.2	-
Bank borrowings	15	1.7	739.8	508.7
Current tax payable	14	0.8	0.9	-
<b>Total current liabilities</b>		<b>86.0</b>	<b>861.1</b>	<b>591.3</b>
<b>Non-current liabilities</b>				
Bank borrowings	15	1,241.3	727.2	729.8
Leasehold liabilities	14	43.6	36.4	43.7
Other financial liabilities	14	254.0	248.8	254.7
Other payables		0.9	12.3	0.7
<b>Total non-current liabilities</b>		<b>1,539.8</b>	<b>1,024.7</b>	<b>1,028.9</b>
<b>Total liabilities</b>		<b>1,625.8</b>	<b>1,885.8</b>	<b>1,620.2</b>
<b>Net assets</b>		<b>1,995.7</b>	<b>2,448.2</b>	<b>2,108.1</b>
<b>Equity</b>				
Share capital	18	17.1	17.1	17.1
Share premium reserve (restated)	18	940.0	940.0	940.0
Merger reserve (restated)	18	1,180.8	1,180.8	1,180.8
Foreign exchange reserve	18	(1.0)	1.5	1.3
Capital reduction reserve	18	-	7.4	-
Retained earnings	18	(141.2)	301.4	(31.1)
<b>Total equity</b>		<b>1,995.7</b>	<b>2,448.2</b>	<b>2,108.1</b>
<b>Net asset value per share – basic and diluted</b>	27	<b>116.4p</b>	<b>142.8p</b>	<b>123.0p</b>
<b>EPRA NTA per share</b>	27	<b>114.1p</b>	<b>141.3p</b>	<b>121.1p</b>
<b>EPRA NTA per share (Ex div)</b>	27	<b>112.4p</b>	<b>139.7p</b>	<b>119.5p</b>

The notes on pages 37 to 80 form part of the consolidated financial statements.

During the period a restatement was required, see note 30 for details.

# Consolidated statement of changes in equity

Half-year ended 30 September 2023	Note	Share capital £m	Share premium reserve £m	Merger reserve £m	Foreign exchange reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2023		17.1	940.0	1,180.8	1.3	-	(31.1)	2,108.1
<b>Loss and total comprehensive income attributable to shareholders</b>								
Exchange reserve		-	-	-	(2.3)	-	(83.1)	(83.1)
<b>Transactions with owners</b>								
Issue of ordinary shares in the period	18	-	-	-	-	-	-	-
Dividends paid in the period	19	-	-	-	-	-	(27.0)	(27.0)
Balance at 30 September 2023		17.1	940.0	1,180.8	(1.0)	-	(141.2)	1,995.7

Reserves are defined in Note 18.



# Consolidated statement of changes in equity

Half-year ended 30 September 2022 (restated)	Note	Share capital £m	Share premium reserve (restated) £m	Merger reserve (restated) £m	Foreign exchange reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2022		9.1	940.0	-	-	21.0	330.6	1,300.7
<b>Loss and total comprehensive income attributable to shareholders</b>		-	-	-	-	-	(29.2)	(29.2)
Exchange reserve		-	-	-	1.5	-	-	1.5
<b>Transactions with owners</b>								
Issue of ordinary shares in the period	18	8.0	-	1,180.8	-	-	-	1,188.8
Dividends paid in the period	19	-	-	-	-	(13.6)	-	(13.6)
<b>Balance at 30 September 2022</b>		<b>17.1</b>	<b>940.0</b>	<b>1,180.8</b>	<b>1.5</b>	<b>7.4</b>	<b>301.4</b>	<b>2,448.2</b>
<b>Year ended 31 March 2023 (restated)</b>	<b>Note</b>	<b>Share capital £m</b>	<b>Share premium reserve (restated) £m</b>	<b>Merger reserve (restated) £m</b>	<b>Foreign exchange reserve £m</b>	<b>Capital reduction reserve £m</b>	<b>Retained earnings £m</b>	<b>Total equity £m</b>
Balance at 1 April 2022		9.1	940.0	-	-	21.0	330.6	1,300.7
<b>Loss and total comprehensive income attributable to shareholders</b>		-	-	-	-	-	(288.1)	(288.1)
Exchange reserve		-	-	-	1.3	-	-	1.3
<b>Transactions with owners</b>								
Issue of ordinary shares in the year	18	8.0	-	1,180.8	-	-	-	1,188.8
Dividends paid in the year	19	-	-	-	-	(21.0)	(73.6)	(94.6)
<b>Balance at 31 March 2023</b>		<b>17.1</b>	<b>940.0</b>	<b>1,180.8</b>	<b>1.3</b>	<b>-</b>	<b>(31.1)</b>	<b>2,108.1</b>

The notes on pages 37 to 80 form part of the consolidated financial statements.

During the period a restatement was required, see note 30 for details.

# Consolidated cash flow statement

	Note	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
<b>Cash flows from operating activities</b>				
Loss before tax		(82.8)	(27.5)	(287.1)
Adjustments for:				
Finance income		(0.1)	(0.1)	-
Finance costs	7	45.9	17.6	54.0
Loss on extinguishment of debt	7	4.1	20.6	20.6
Change in fair value of investment property	9	161.3	80.3	406.7
Loss on disposal of investment property	9	0.5	0.1	2.8
Loss on disposal of derivative		0.3	-	4.6
Change in fair value of derivatives		(13.3)	(25.0)	(22.2)
Accretion of tenant lease incentives	4	(24.9)	(13.7)	(37.8)
Tax paid	8	(0.2)	-	(0.1)
<b>Operating results before working capital changes</b>		<b>90.8</b>	<b>52.3</b>	<b>141.5</b>
Decrease/(increase) in trade and other receivables	12	(2.4)	11.5	4.3
Increase/(decrease) in trade and other payables	14	0.8	24.5	23.9
<b>Net cash flow generated from operating activities</b>		<b>89.2</b>	<b>88.3</b>	<b>169.7</b>
<b>Cash flows from investing activities</b>				
Purchase of investment properties		(18.2)	(54.9)	(80.0)
Partial cash alternative paid to SIR plc shareholders		-	(390.2)	(392.3)
Proceeds from sale of investment property		32.7	-	29.5
Interest received		0.1	0.1	0.4
<b>Net cash flow from/(used in) investing activities</b>		<b>14.6</b>	<b>(446.3)</b>	<b>(442.4)</b>
<b>Cash flows from financing activities</b>				
Dividend paid		(27.0)	(13.6)	(89.0)
Interest paid		(36.3)	(11.5)	(40.4)
Payments of other financial liabilities		(4.7)	-	(4.5)
Interest received on in-the-money financial instruments		5.0	-	2.2
Purchase of interest rate derivatives		(6.1)	(1.3)	(26.5)
Proceeds from recognition of income strip		-	-	257.0
Proceeds from close out of interest rate cap		4.3	-	23.1
Make-whole costs on settlement of debt		(4.1)	-	(20.6)
Drawdown of borrowings		687.4	439.0	499.0
Repayment of borrowings		(666.1)	(30.9)	(322.6)
Loan arrangement fees paid		(18.6)	(2.2)	(3.1)
<b>Net cash flow generated from/(used in) financing activities</b>		<b>(66.2)</b>	<b>380.8</b>	<b>274.6</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>37.6</b>	<b>22.8</b>	<b>1.9</b>
Cash and cash equivalents at the beginning of the year		74.4	72.5	72.5
<b>Cash and cash equivalents at the end of the period</b>	13	<b>112.0</b>	<b>95.3</b>	<b>74.4</b>

The notes on pages 37 to 80 form part of the consolidated financial statements.



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# Notes to the consolidated financial statements

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## 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' 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 2023 Annual Report and Accounts, which were prepared in accordance with UK-adopted International Accounting Standards (IFRS).

The condensed consolidated financial statements for the period ended 30 September 2023 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 29 November 2023. The condensed consolidated financial statements are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006.

The comparative information included in the financial statements relates to the year ended 31 March 2023 and the period ended 30 September 2022 and 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 2023 has been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified.

The condensed financial statements for the half-year ended 30 September 2023 have been prepared on a historical cost basis, as modified for the Group's investment properties and derivative financial instruments which have been measured at fair value with changes recognised through the statement of comprehensive income.

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

Euro denominated results of the German operations have been converted to Sterling at the average exchange rate for the period of €1: £0.87 (period from acquisition to 30 September 2022: €1: £0.85) which is not considered to produce materially different results from using the actual rates at the date of the transactions. Period end balances have been converted to Sterling at the 30 September 2023 exchange rate of €1: £0.87 (30 September 2022: €1: £0:88). The accounting policy for foreign currency translation is in Note 3.

### Standards effective from 1 April 2023

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

- Update to IAS 8 'Definition of Accounting Estimates' to add clarification around the difference between accounting policies and accounting estimates including a new definition of 'accounting estimates (Periods beginning after 1 January 2023).
- Update to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' in order to help entities apply materiality judgements to accounting policy disclosure (Periods beginning after 1 January 2023).

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

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### 1. Basis of preparation (continued)

#### Standards issued not yet effective

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

- Amendments to IAS 1 which clarifies the criteria used to determine whether liabilities are classified as current or non-current (applicable to periods beginning after 1 January 2024). These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.
- Amendments to IFRS 16 which requires an explanation of how an entity accounts for sale and leaseback transaction after the date of the transaction (applicable to periods beginning after 1 January 2024).

There are other new standards and amendments to standards and interpretations which have been issued that become effective in future accounting periods. None of these are expected to have a material impact on the condensed consolidated financial statements of the Group.

#### Going concern

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

The Group has an Investment Grade credit rating, an adequate liquidity position, predictable income and costs, and comfortable headroom against financial covenant levels within its debt facilities. In light of current macroeconomic uncertainty, the Group's robust balance sheet and high-quality portfolio of commercial property assets let or pre-let on long term, index-linked leases to a wide range of strong tenant covenants highly diversified by tenant, sector and location supports the Board's conclusion to adopt the going concern basis of accounting.

The completion of the Group's latest debt refinancing during the period saw over £700m of debt refinanced and £60m extended. The refinancing increased the weighted average term to maturity from 2.8 years at 31 March 2023 to 5.2 years at 30 September 2023 and pushed the first maturity out from December 2024 to September 2025. The current weighted average cost of drawn debt is 4.7% (4.3% at 31 March 2023).

Contracted annual rental income grew in the period from £202.2m at 31 March 2023 to £204.2m at 30 September 2023 as a result of 84 rent reviews in the period, equating to 49% of contracted rent, with an average increase of 3.6%pa. The EPRA cost ratio decreased from 12.6% to 7.1% in the half year period, the lowest cost ratio in our sector, compared with the period to September 2023, showing increased earnings and cash flow generation which will support liquidity.

In particular, the Board has regard to the following characteristics of the Group in assessing going concern:

#### Low-cost debt facilities, with comfortable covenant headroom

- The Group's pro forma net loan to value ("LTV") as at 30 September 2023 was 38% following the refinancing that completed during the period
- The Group's portfolio is currently valued at £3.2bn reflecting a valuation yield of 5.7%, a 100bps spread from the weighted average cost of debt of 4.7%

- The Group has comfortable headroom to LTV, ICR and DSCR covenant levels within each facility at covenant levels at 30 September 2023
- No breaches of loan covenants during the forecast going concern period

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

- The Group's portfolio is 100% let or pre-let to over 80 strong tenants, across 13 sub-sectors. Furthermore, the tenants are the main trading or parent companies within the tenant groups with strong financial covenants
- Insolvency for one of the three major tenants (being Ramsay Health Care, a major company listed in Australia) would result in an event of default on the AIG and L&G facilities. Insolvency of Travelodge and/or Merlin could also lead to an event of default if rental income was lost following insolvency on the Lloyds Syndicate facility only if the properties weren't re-let at sufficient levels within 12 months, however this is considered highly unlikely. The financial strength of the major tenants, including Ramsay, Travelodge and Merlin, is regularly monitored and reported to the Board along with the financial position of all tenants contributing to >2% of contracted rent roll on a quarterly basis
- The Group benefits from a contractually secure income stream from leases with a weighted average of 26 years to first break across the portfolio. Each lease is drawn on a fully repairing and insuring basis - tenants are responsible for repair, maintenance and outgoings, so there is no cost leakage for the Company
- Continued strong rent collection from tenants in the period of 100% rent and 100% occupancy

#### Appropriate gearing and liquidity

- At 30 September 2023 the Group had net assets of £2.0bn (31 March 2023: £2.1bn) and a cash balance of £112.0m (31 March 2023: £74.4m), including uncommitted cash of £70.1m
- Post balance sheet, the HSBC £60m facility has been extended from December 2024 to December 2026. Following this, the next significant refinancing event relates to the £291m AIG healthcare facility in October 2025

Virtually all rent has inflation-protection, through indexed or fixed uplifts, providing substantial protection and a high degree of predictability.

#### Uncommitted cash

Uncommitted cash at 30 September was £70.1m and consists of the following:

Total cash balance <sup>1</sup>	£112.0m
Capital commitments on forward funded assets	£(39.2)m
Undrawn RCF allocated to forward funded commitments <sup>2</sup>	£25.6m
Dividend payment relating to June QE	£(28.3)m
<b>Total uncommitted cash</b>	<b>£70.1m</b>

1 Including £62.3m of cash held in rent accounts that has subsequently been released post period end.

2 The undrawn RCF is included in the uncommitted cash balance, however under certain circumstances the Group could be unable to draw down further on the RCF. These circumstances include a change of control event, an event of default or an intention to fund or finance business activities with a restricted party.

The Investment Advisor is currently marketing a number of portfolios and assets for disposal which will contribute to cash rebuilding and place the Group in a position to take advantage of market opportunities.

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### 1. Basis of preparation (continued)

#### Debt maturity

Post refinancing, the Group has a 5-year weighted average term to maturity with no debt maturing within 12 months of the approval date of the condensed consolidated financial statements. The next significant refinancing event relates to the £291m AIG healthcare facility and represents 22% of total committed debt.

#### Going concern statement

The Board has considered the period to 30 November 2024 in assessing the Group's and the Company's going concern scenarios. Based on the considerations above and on stress tests and reverse stress tests, the Board believes that the Group and the Company have the ability to continue in business for at least twelve months from the date of approval of these condensed consolidated financial statements and therefore has adopted the going concern basis in the preparation of this financial information.

#### Sensitivity Analysis

##### Loan covenant reverse stress test

We have performed analyses to test the extent to which the valuation of our portfolio and rental income should have to fall in order to result in a breach in each facility for the debt profile as at 30 September 2023 and the post refinancing debt profile. All facilities at 30 September 2023 have comfortable headroom to covenants, with the tightest LTV covenant requiring a 26% reduction in value before a breach and the tightest ICR or DSCR covenant requiring a 34% loss of rent before a breach. This represents our 'reverse stress test' and shows at what point the Group would breach its covenants. The Board is satisfied that these falls in values or income fall outside the range of reasonable outcomes.

In the unlikely event portfolio valuations decrease by the amount required to trigger a breach, the Group has a number of options available to rectify a breach. These include revising dividend payments, considering a rights issue and disposal of assets. Similarly, if rent reduced by an amount to trigger a breach, the Group is able to cash cure with uncommitted cash.

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### 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 refers to market evidence of transaction prices for similar properties. The Board considers Knight Frank LLP to be suitably qualified and experienced to conduct this work.

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 property 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 20)

The Group has acquired investment property that is leased to tenants. In considering the classification of lease arrangements, at inception of each lease or on acquisition of an asset that is already let, 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 attest 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.

##### Lease term (Note 4)

Rental income is recognised on a straight-line basis over the expected lease term. A judgement has to be made by the Directors as to the expected term of each lease. The judgement involves determining whether break clauses on certain leases will be exercised. This judgement impacts the length of time over which lease incentives are recognised. The key element of this judgement is whether the Directors can be "reasonably certain" that any break clauses in leases will not be enacted or that any options in place to extend the lease term will be exercised at the expiry of the current lease. The Directors conclude that it is impossible to say with reasonable certainty that a break clause will not be enacted or an extension option will be exercised and therefore further conclude that lease terms should be restricted to the initial length of the lease, or to any earlier tenant break date, except where reversionary leases have already been executed or where options to extend have already been exercised.



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### 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 any 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 when an unconditional contract is in place for 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 2.

#### 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 for the asset to be sold at the balance sheet 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.

#### Rental income

Revenue comprises rental income exclusive of VAT, recognised in the income statement on an accruals basis. Future anticipated rental income is spread over the term of a lease on a straight line basis, giving rise to a lease incentive in cases where future rental variations can be determined with sufficient certainty. Where income has been cumulatively recognised in advance of the contractual right to receive that income, such as from leases with fixed or minimum rental uplifts, an adjustment is made to ensure that the carrying value of the relevant investment property including accrued rent does not exceed the fair value of the property as assessed by the independent external valuers. Income arising from contractual rights that are subject to external factors, such as inflation-linked or open market rent reviews, is recognised in the income statement in the period in which it is determinable and reasonably certain.

Lease incentives are not considered to be financial assets as the amounts are not yet contractually due. As such, the requirements of IFRS 9 (including the expected credit loss model) are not applied to those balances.

Cash flows from rental income are included in the cash flow statement within cash flows from operating activities.

#### Financial instruments

##### a. Financial assets

The Group classifies its financial assets as either fair value through profit or loss or amortised cost. This classification depends on the purpose for which the asset was acquired and is based on the business model test. The Group's accounting policy for financial assets is as follows:

##### Fair value through profit or loss

These are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income in the finance income or expense line. The Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

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### 3. Summary of significant accounting policies (continued)

#### 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 include cash held by lawyers on behalf of the Group or Company without restriction.

Secured cash is cash held in accounts over which the providers of secured debt have fixed security. The Group is unable to access this cash unless and until it is released to free cash each quarter, which takes place after quarterly interest and loan repayments have been made as long as the terms of the associated secured facility are complied with.

Restricted cash represents cash withheld by the lender on drawdowns of borrowings referred to in Note 15 until 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.

#### Interest rate derivatives

The Group has used interest rate derivatives to hedge its exposure to cash flow interest rate risk. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value.

Derivatives are held at fair value and subsequent fair value movements are recognised through the income statement.

#### b. Financial liabilities

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

#### Other financial liabilities

Bank borrowings 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 ensures that any interest expense over the period to contractual repayment, ignoring any extension options, is recognised 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 its 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.

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### 3. Summary of significant accounting policies (continued)

Income arising from contractual rights that are subject to external factors, such as inflation-linked or open market rent reviews, is recognised in the income statement in the period in which it is determinable and reasonably certain.

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 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 (under £100 p.a.) and leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the lease payments of 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.

#### Foreign currency translation

The results of Group undertakings with a functional currency other than Sterling are translated into Sterling at the actual exchange rates prevailing at the time of the transaction, unless the average rate for the reporting period is not materially different from the actual rate, in which case that average rate is used.



The gains or losses arising on the end of year translation of the net assets of such Group undertakings at closing rates and the difference between translating the results at average rates compared to the closing rates are taken to other reserves. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date with any gains or losses arising on translation recognised in the income statement.

#### 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 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Rental income from investment property	99.9	61.8	160.4
Accretion of tenant lease incentives (Note 9,26)	24.9	13.7	37.8
Service charge income	2.6	–	4.1
Head rent income	0.9	–	1.2
	<b>128.3</b>	<b>75.5</b>	<b>203.5</b>

## Notes to the consolidated financial statements (continued)

### 5. Property expenses

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Service charge expenditure recoverable	2.6	–	4.1
Head rent expenditure recoverable	0.9	–	1.2
Void property costs	0.1	–	–
Property repairs	0.1	–	–
	<b>3.7</b>	<b>–</b>	<b>5.3</b>

### 6. Administrative and other expenses

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Investment advisory fees (Note 22)	5.6	6.2	12.9
Legal and professional fees	1.2	0.5	1.4
Other administrative costs	0.7	0.6	1.0
Corporate administration fees	0.6	0.3	1.1
Fees paid to the Company's Independent Auditor	0.3	0.2	0.4
Directors' fees (Note 22)	0.2	0.2	0.4
Advertising and Marketing	0.1	0.1	0.1
Abortive fees (Note 26)	–	1.4	1.5
	<b>8.7</b>	<b>9.5</b>	<b>18.8</b>

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

The Company paid £0.1m of additional fees to the Company's Independent Auditor in the period in respect of their review of the Interim Report (30 September 2022: £0.1m in respect of accounting services in relation to the merger, 31 March 2023: £0.1m in respect of reviewing the Interim Report and £0.1m in respect of accounting services relating to the merger).

## 7. Finance costs

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Interest payable on bank borrowings	35.8	14.6	43.1
Amortisation of loan arrangement fees	5.8	2.3	6.1
Leasehold interest	3.9	0.5	4.6
Other bank charges	0.4	0.2	0.2
<b>Loss on extinguishment of debt</b>	<b>4.1</b>	<b>20.6</b>	<b>20.6</b>
	<b>50.0</b>	<b>38.2</b>	<b>74.6</b>

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 £35.8m of which £0.4m was capitalised (30 September 2022: £14.6m of which £0.6m was capitalised, 31 March 2023: £43.7m of which £0.6m was capitalised); and
- the amortisation of loan arrangement fees totalling £5.8m of which £nil was capitalised (30 September 2022: £2.3m of which £nil was capitalised, 31 March 2023: £6.1m of which £nil was capitalised).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the period was 5.9% pa, based on the weighted average cost of the syndicate RCF (30 September 2022: 2.85%, 31 March 2023: 2.95%).

Leasehold interest relates to the head rent expense charged on leasehold properties to the extent that it is not recoverable from our tenants.

### Loss on extinguishment of debt

During the year ended 31st March 2023, the Company made a £20.6m make-whole payment on the early repayment of the £232m Merlin A facility following the completion of the Merlin 'income strip' sale, following which the related interest rate cap was closed out for proceeds of £23.1m, representing a gain of £12.8m versus the book value at 31 March 2022. The current period balance of £4.1m relates to make whole costs on early repayment of loans during the refinancing in the current period.

## 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 (such as trading activities and interest income), after the utilisation of any available residual tax losses, are subject to corporation tax at the main rate of 25%.

As a result of the merger in 2022 the Group acquired one German property and is subject to German corporation tax on its German property rental business at an effective rate of 15.825%, resulting in a tax charge for the half year of £0.3m.

The German assets have been subject to a routine tax audit by the German tax authorities since January 2021. The additional tax liability arising, including interest but excluding any penalties, totals £0.6m and was provided for in the half year to 30 September 2022.

As a result of the change in the ultimate ownership of the German asset arising from the merger, the Group became liable for German RETT at an estimated cost of £5.3m. This cost is provided for but is yet to be formally demanded by the German Tax Authority. It was recognised as an acquisition cost at the time of the transaction and capitalised.

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Current tax – Germany	0.3	0.6	1.0
<b>Total current tax</b>	<b>0.3</b>	<b>0.6</b>	<b>1.0</b>
Origination and reversal of temporary differences	–	1.1	–
<b>Total deferred tax</b>	<b>–</b>	<b>1.1</b>	<b>–</b>
<b>Tax charge</b>	<b>0.3</b>	<b>1.7</b>	<b>1.0</b>

### Reconciliation of the total tax charge

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

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
<b>Loss before tax</b>	<b>(82.8)</b>	<b>(27.5)</b>	<b>(287.1)</b>
Tax at the standard rate of UK corporation tax of 25% (19% to April 2023)	(20.7)	(5.2)	(54.5)
Effects of:			
REIT exempt income	(11.5)	(7.0)	(21.1)
Lease incentive adjustment under IFRS	(6.2)	–	–
Revaluation of investment properties	40.3	15.3	77.3
Loss on disposal of investment properties	0.1	–	0.5
Residual losses not recognised as deferred tax asset	1.0	0.2	0.6
Realised loss on close out of financial instruments	0.1	–	0.9
Exempt expenses not deductible for tax purposes	0.2	0.3	0.5
Valuation adjustment in fair value of derivative instruments	(3.3)	(3.7)	(4.2)
Deferred tax movement	–	1.1	–
Local income tax expense	0.3	0.6	1.0
<b>Tax charge</b>	<b>0.3</b>	<b>1.7</b>	<b>1.0</b>

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

### Unrecognised deferred tax liability

As part of the Secure Income REIT merger in July 2022 a deferred tax liability at acquisition of £11.0m was netted off against the investment property acquisition in line with IAS 12. Subsequent to that a deferred tax liability will only be recognised for the German capital gains tax that would potentially be payable on the sale of the relevant investment properties if the fair value exceeds the acquisition cost to LXi. Therefore, at 30 September 2023 there was an unrecognised deferred tax liability of £9.7 million (31 March 2023: £9.5 million, 30 September 2022: £11.9 million) arising on the Heide Park asset which is not included in our net asset position.



## Notes to the consolidated financial statements (continued)

### 9. Investment property

	Investment property long leasehold £m	Investment property freehold £m	Investment property in course of construction £m	Total £m
<b>Half-year ended 30 September 2023</b>				
Balance at 1 April 2023	1,248.8	2,290.7	30.1	3,569.6
Property acquisitions	-	-	18.6	18.6
Licence fee receivable (Note 26)	-	-	(0.2)	(0.2)
Tenant lease incentives (Note 4)	7.4	17.3	0.2	24.9
Headlease movement	-	-	-	-
Change in fair value	(28.6)	(130.2)	(2.5)	(161.3)
FX movement	-	(1.5)	-	(1.5)
Assets transferred to held for sale	(35.4)	(67.0)	-	(102.4)
Transfers of completed property	1.4	18.7	(20.1)	-
<b>Balance at 30 September 2023</b>	<b>1,193.6</b>	<b>2,128.0</b>	<b>26.1</b>	<b>3,347.7</b>
<b>Half-year ended 30 September 2022</b>				
Balance at 1 April 2022	331.0	1,093.4	55.7	1,480.1
Property acquisitions	23.4	46.7	17.5	87.6
Property acquisitions relating to the merger of SIR plc	376.1	2,035.3	-	2,411.4
Licence fee receivable (Note 26)	-	-	(1.2)	(1.2)
Tenant lease incentives (Note 4)	4.1	9.6	-	13.7
Transfer of assets post 'income strip' sale	596.5	(596.5)	-	-
Change in fair value	1.2	(74.2)	(7.3)	(80.3)
Transfers of completed property	1.8	18.8	(20.6)	-
<b>Balance at 30 September 2022</b>	<b>1,334.1</b>	<b>2,533.1</b>	<b>44.1</b>	<b>3,911.3</b>
<b>Year ended 31 March 2023</b>				
Balance at 1 April 2022	331.0	1,093.4	55.7	1,480.1
Property acquisitions	22.7	51.1	31.9	105.7
Property acquisitions relating to the merger of SIR plc	374.9	2,021.0	-	2,395.9
Licence fee receivable (Note 26)	-	-	0.2	0.2
Tenant lease incentives (Note 4)	11.7	26.1	-	37.8
Property disposals	-	(13.2)	-	(13.2)
Transfer of assets post 'income strip' sale	596.5	(596.5)	-	-
Change in fair value	(95.2)	(288.9)	(22.6)	(406.7)

	Investment property long leasehold £m	Investment property freehold £m	Investment property in course of construction £m	Total £m
Currency translation	–	3.2	–	3.2
Headlease movement	(1.1)	–	–	(1.1)
Assets transferred to held for sale	(2.1)	(30.2)	–	(32.3)
Transfers of completed property	10.4	24.7	(35.1)	–
<b>Balance at 31 March 2023</b>	<b>1,248.8</b>	<b>2,290.7</b>	<b>30.1</b>	<b>3,569.6</b>

The investment properties have been independently valued at fair value by Knight Frank LLP, the Independent Valuer, an accredited external valuation firm 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 £3,191.4m at 30 September 2023 (31 March 2023: £3,356.3m, 30 September 2022: £3,656.6m) including capital commitments on forward funded assets. The valuation included a €161.7m valuation of the German asset in the portfolio, the only asset held outside of the UK. This was translated to GBP at a rate of €1: £0.87.

The Group identifies the potential impact of climate-related risks on property valuations as a principal risk as outlined on pages 55 to 61 within the Annual Report. 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 2023 £m	30 September 2022 £m	31 March 2023 £m
Investment property at fair value	<b>3,347.7</b>	<b>3,911.3</b>	<b>3,569.6</b>
Assets held for sale at fair value	102.4		32.3
Capital commitments on forward funded assets (Note 24)	37.5	42.5	50.8
Vendor discount in respect of rent-free periods and top-ups	2.1	2.6	2.7
Licence fee receivable	1.2	1.1	1.0
Leasehold and other financial liabilities (Note 14)	(299.5)	(300.9)	(256.3)
<b>Total completed portfolio valuation</b>	<b>3,191.4</b>	<b>3,656.6</b>	<b>3,356.3</b>

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

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### 9. Investment property (continued)

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. The income strip is accounted for on the same basis.

#### Investment property at fair value

Investment property and assets held for sale are all held at fair value and are valued using significant unobservable inputs (Level 3). There have been no transfers between levels during the year. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards (incorporating the International Valuation Standards).

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets.

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

#### Valuation techniques

##### Standing assets

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

#### 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, given the nature and length of the leases, the rental growth is contractual and therefore included in the net initial yield.

#### Unobservable input: net initial yield

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 30 September 2023 £m	Passing rent pa range £m	Valuation 30 September 2023 £m	Valuation yield range %
Healthcare	46.5	0.0 – 9.6	843.8	4.1 – 7.7
Budget hotel	42.8	0.0 – 2.2	603.5	4.9 – 13.5
Leisure	39.3	2.0 – 13.3	561.2	4.9 – 4.9
Foodstores	18.9	0.0 – 2.7	336.8	4.5 – 9.0
Industrial	13.3	0.2 – 3.7	247.0	4.2 – 7.5
Pubs	8.7	0.0 – 3.8	120.6	5.0 – 7.1
Arena	7.3	0.1 – 4.6	85.8	6.8 – 6.8
Car park	4.6	0.0 – 1.1	70.2	5.3 – 6.4
Garden centre	3.3	0.4 – 1.0	53.2	2.2 – 5.9
Life sciences	2.9	2.9 – 2.9	53.9	5.0 – 5.0
Drive-thru coffee	2.5	0.0 – 0.1	37.6	4.6 – 6.1
Education	2.3	0.0 – 0.3	35.5	5.8 – 6.0
Other	11.8	0.0 – 1.9	142.5	5.1 – 9.1
<b>Portfolio</b>	<b>204.2</b>	<b>0.0 – 13.3</b>	<b>3,191.4</b>	<b>2.2 – 13.5</b>

## Notes to the consolidated financial statements (continued)

### 9. Investment property (continued)

Sector	Passing rent pa 30 September 2022 £m	Passing rent pa range £m	Valuation 30 September 2022 £m	Valuation yield range %
Healthcare	45.1	0.0 – 9.4	976.9	3.9 – 6.4
Budget hotel	41.6	0.0 – 2.2	651.5	4.1 – 12.4
Leisure	37.9	1.9 – 12.8	629.9	4.2 – 4.5
Foodstores	18.4	0.1 – 2.7	401.3	3.5 – 7.5
Industrial	14.3	0.2 – 4.1	308.3	3.7 – 6.8
Pubs	8.7	0.0 – 3.8	128.4	4.7 – 7.0
Arena	7.0	0.1 – 4.3	99.2	6.7 – 6.7
Car park	4.4	0.0 – 1.1	81.5	4.2 – 5.5
Garden centre	3.2	0.4 – 1.0	63.3	1.9 – 4.8
Life sciences	2.9	2.9 – 2.9	61.9	4.3 – 4.3
Drive-thru coffee	2.6	0.0 – 0.1	40.5	4.0 – 5.9
Education	2.2	0.0 – 0.3	39.8	5.0 – 5.2
Other	11.5	0.0 – 1.8	174.1	4.7 – 9.8
<b>Portfolio</b>	<b>200.1</b>	<b>0.0 – 12.8</b>	<b>3,656.6</b>	<b>1.9 – 12.4</b>

Sector	Passing rent pa 31 March 2023 £m	Passing rent pa range £m	Valuation 31 March 2023 £m	Valuation yield range %
Healthcare	45.2	0.0 – 9.4	916.9	4.1 – 7.7
Budget hotels	42.8	0.0 – 2.2	617.3	4.9 – 13.5
Leisure	37.9	1.9 – 12.8	562.8	4.9 – 4.9
Foodstores	20.2	0.1 – 2.7	374.4	4.0 – 9.0
Industrial	13.3	0.2 – 3.7	260.7	4.2 – 7.5
Pubs	8.7	0.1 – 3.8	128.8	5.0 – 7.1
Arena	7.1	0.1 – 4.3	90.6	6.8 – 6.8
Car parks	4.5	0.1 – 1.1	70.6	5.3 – 6.4
Garden centres	3.2	0.4 – 1.0	53.2	5.5 – 5.9
Life sciences	2.9	2.9 – 2.9	53.9	5.0 – 5.0
Drive-thru coffee	2.7	0.1 – 0.2	39.4	4.6 – 6.1
Education	2.2	0.1 – 0.3	35.5	5.8 – 6.0
Other	11.5	0.0 – 1.8	152.2	5.1 – 9.1
<b>Portfolio</b>	<b>202.2</b>	<b>0.0 – 12.8</b>	<b>3,356.3</b>	<b>4.0 – 13.5</b>



### Sensitivities of measurement of significant inputs

As set out within significant accounting estimates and judgments above, the Group's property portfolio valuation is subject 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 2023	(159.6)	159.6	(134.9)	147.3
30 September 2022	(182.9)	182.9	(178.6)	197.9
31 March 2023	(182.9)	182.9	(162.5)	178.3

## 10. Assets held for sale

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Assets held for sale	102.4	–	32.3

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. 32 assets have been classified as held for sale as at the period end.

### Realised gain on disposal of assets held for sale

During the year, the Group disposed of certain assets within assets held for sale. The table below shows a reconciliation of the loss recognised on disposal through the consolidated statement of comprehensive income and the realised gain on disposals in the period which includes changes in fair value of the investment property recognised in previous periods.

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Consideration received	32.7	19.0	29.5
Less:			
Carrying value	(32.3)	(18.9)	(32.1)
Selling costs	(0.4)	(0.2)	(0.2)
Rental guarantee given	(0.5)	–	–
<b>(Loss)/gain on disposal of assets held for sale</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(2.8)</b>
Add:			
Change in fair value recognised in previous periods	3.3	3.0	3.6
<b>Realised gain on disposal of assets held for sale</b>	<b>2.8</b>	<b>2.9</b>	<b>0.8</b>

## Notes to the consolidated financial statements (continued)

### 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. For all other financial instruments, the book value is equal to the fair value.

	Book value £m	Fair value £m
Bank borrowings		
<b>30 September 2023</b>	<b>1,243.0</b>	<b>1,200.0</b>
30 September 2022	1,467.0	1,395.2
31 March 2023	1,238.5	1,184.0

Fair value is not the same as a liquidation valuation, the amount required to prepay the loans at the balance sheet date, and therefore does not represent an estimate of the cost to the Group of prepaying the debt before the scheduled maturity date, which would be materially higher.

### 12. Trade and other receivables

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Licence fee receivable	3.4	2.7	2.9
Rent receivable	9.1	6.7	8.6
Rent deposit	2.8	–	2.8
Prepayments and other receivables	3.8	1.9	2.5
Amount receivable from 'income strip' sale	–	257.0	–
<b>Amounts due within one year</b>	<b>19.1</b>	<b>268.3</b>	<b>16.8</b>

The carrying value of trade and other receivables held 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 2023. 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 2023 is £nil (31 March 2023: £nil, 30 September 2022: £0.1m).

Trade and other receivables that are financial assets amount to £12.5m (31 March 2023: £11.5m, 30 September 2022: £266.4m) 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 2023 £m	30 September 2022 £m	31 March 2023 £m
30 days or fewer	12.5	266.4	11.5
31 to 60 days	-	-	-
61 to 90 days	-	-	-
91 days or more	-	-	-
Over one year	-	-	-
	<b>12.5</b>	<b>266.4</b>	<b>11.5</b>

### 13. Cash reserves

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Cash at bank	82.0	92.9	43.6
Cash held by lawyers	1.2	2.4	1.7
Secured cash	18.8	-	29.1
<b>Cash and cash equivalents</b>	<b>102.0</b>	<b>95.3</b>	<b>74.4</b>
Restricted cash	10.0	19.0	-
<b>Total cash and cash equivalents</b>	<b>112.0</b>	<b>114.3</b>	<b>74.4</b>

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

Secured cash is held in accounts over which the providers of secured debt have fixed security. The Group is unable to access this cash until it is released to free cash each quarter, which takes place after quarterly interest and loan repayments have been made as long as the terms of the associated secured facility are complied with.

There are times throughout the year when the Group has restricted cash. At the period end £10.0m was held as restricted cash (31 March 2023: £nil, 30 September 2022: £19.0m). 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.

## Notes to the consolidated financial statements (continued)

### 14. Trade and other payables

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Accrued investment property costs	0.2	5.4	1.7
Deferred rental income	46.2	44.6	44.3
Accruals	10.5	23.5	6.5
Trade and other payables	18.3	4.3	22.3
Early repayment of debt costs	–	20.2	–
Leasehold liability	0.2	7.5	0.2
Retentions payable	0.8	2.9	1.5
VAT payable	5.8	3.8	4.5
Corporation tax payable	0.8	0.9	–
Other financial liabilities	1.5	8.2	1.6
<b>Amounts due within one year</b>	<b>84.3</b>	<b>121.3</b>	<b>82.6</b>
Leasehold liability	43.6	36.4	43.7
Other financial liabilities	254.0	248.8	254.7
Retentions payable	0.9	–	0.7
<b>Amounts due in more than one year</b>	<b>298.5</b>	<b>285.2</b>	<b>299.1</b>

Trade and other payables that are financial liabilities amount to £330.0m (31 March 2023: £332.7m, 30 September 2022: £361.0m) which comprises accrued investment property costs, accruals, retentions, trade and other payables, the leasehold liability and the other financial liability.

During the prior year, the Group entered into the sale of a 65-year income strip of Alton Towers and Thorpe Park in for £257m. The sale price represented a net initial yield of 2.96% on 30% of the annual rental income. The structure comprised selling the freehold of the properties to a UK institutional investor, with 999-year leases granted back to the Company pursuant to which the Company pays an annual aggregate rent of £8.2m, representing 30% of the annual rental income received from the tenant. The Company can acquire the freehold for £1 at the end of the leaseback in 2087. The obligations in relation to this transaction amount to £255.5m at the period end and the balance is classified separately from leasehold liabilities as an other financial liability. Of this balance £1.5m is due within one year and £254.0m is due in more than one year.

## 15. Bank borrowings

	Drawn £m	Undrawn £m	Total £m
<b>Half-year ended 30 September 2023</b>			
At beginning of the year	1,250.0	63.0	1,313.0
New facilities	687.4	25.6	713.0
Facilities repaid	(664.4)	(63.0)	(727.4)
Scheduled repayments	(1.7)	-	(1.7)
<b>At end of the period</b>	<b>1,271.3</b>	<b>25.6</b>	<b>1,296.5</b>
Less: unamortised loan arrangement fees	(28.3)	-	(28.3)
	<b>1,243.0</b>	<b>25.6</b>	<b>1,268.6</b>
<b>Half-year ended 30 September 2022</b>			
At beginning of the year	246.0	89.0	335.0
Book value of debt on SIR plc merger	827.4	-	827.4
New facilities	385.0	-	385.0
Drawdown of existing facilities	54.0	(54.0)	-
Repayments	(30.9)	30.0	(0.9)
<b>At end of the period</b>	<b>1,481.5</b>	<b>65.0</b>	<b>1,546.5</b>
Less: unamortised loan arrangement fees	(14.5)	-	(14.5)
	<b>1,467.0</b>	<b>65.0</b>	<b>1,532.0</b>
<b>Year ended 31 March 2023</b>			
At beginning of the year	246.0	89.0	335.0
Book value of debt on SIR plc merger	826.1	-	826.1
New facilities	385.0	-	385.0
Drawdown of existing facilities	114.0	(114.0)	-
Repayments	(322.6)	88.0	(234.6)
Foreign currency translation	1.5	-	1.5
<b>At end of the period</b>	<b>1,250.0</b>	<b>63.0</b>	<b>1,313.0</b>
Less: unamortised loan arrangement fees	(11.5)	-	(11.5)
	<b>1,238.5</b>	<b>63.0</b>	<b>1,301.5</b>

## Notes to the consolidated financial statements (continued)

### 15. Bank borrowings (continued)

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Current borrowings	3.5	745.9	512.9
Less: unamortised loan arrangement fees	(1.8)	(6.1)	(4.2)
Total current borrowings	1.7	739.8	508.7
Non current borrowings	1,267.8	735.6	737.1
Less: unamortised loan arrangement fees	(26.5)	(8.4)	(7.3)
Total non current borrowings	1,241.3	727.2	729.8
	<b>1,243.0</b>	<b>1,467.0</b>	<b>1,238.5</b>

#### Maturity of drawn bank borrowings

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Repayable under 1 year	3.5	745.9	512.9
Repayable between 1 and 2 years	119.5	162.5	215.0
Repayable between 2 and 5 years	830.3	403.1	352.1
Repayable after 5 years	318.0	170.0	170.0
	1,271.3	1,481.5	1,250.0
Unamortised finance costs	(28.3)	(14.5)	(11.5)
	<b>1,243.0</b>	<b>1,467.0</b>	<b>1,238.5</b>

The Group's borrowings comprise the following:

#### Scottish Widows Term Loan 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

#### Other secured loans

- A SONIA linked floating rate 'Leisure' facility with HSBC Plc of £60.0m which was extended on 1 March for repayment in December 2024. The loan has a margin of 2.05% is fixed at an all-in rate of 4.55% using an interest rate cap.
- A 2039 gilt linked floating rate 'Institutional 1' facility with Canada Life of £148.0m. The facility has a margin of 1.75%, is fixed at an all-in rate of 5.75% and is due for repayment in April 2039.



- A SONIA linked floating rate 'Syndicate RCF' facility with Lloyds, Barclays, Santander, RBS International and Haitong of £200.0m. The facility has a margin of 2.3%, is capped at an all-in rate of 5.8% on amounts drawn and is due for repayment in January 2028.
- A SONIA linked floating rate 'Syndicate Term Loan A' facility with Lloyds, Barclays, Santander, RBS International and Haitong of £115.0m. The facility has a margin of 2.3%, is capped at an all-in rate of 4.3% and is due for repayment in January 2028.
- A SONIA linked floating rate 'Syndicate Term Loan B' facility with Lloyds, Barclays, Santander, RBS International and Haitong of £250.0m. The facility has a margin of 2.15%, is capped at an all-in rate of 4.15% and is due for repayment in January 2026.
- A fixed rate amortising loan 'Healthcare 1' facility of £63.0m with Legal and General. The facility has a fixed all-in rate payable of 4.29% pa, for the duration of the loan term and is due for repayment in September 2025. Annual amortisation on the loan is £0.3m
- A fixed rate amortising 'Healthcare 2' facility of £290.9m with AIG. The facility has a fixed all-in rate payable of 5.30% pa, for the duration of the loan term and is due for repayment in October 2025. Annual amortisation on the loan is £3.2m.

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 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Bank borrowings and leasehold liability at start of the period	1,538.7	252.8	252.8
<b>Cash flows from financing activities</b>			
Bank borrowings drawn	687.4	439.0	499.0
Bank borrowings repaid	(666.1)	(30.9)	(322.6)
Bank debt acquired on SIR plc merger at fair value on acquisition	-	817.9	817.8
Loan arrangement fees paid	(18.5)	(2.4)	(3.1)
Headlease payments	(4.7)	-	(4.5)
<b>Non-cash movements</b>			
Amortisation of loan arrangement fees	5.8	2.3	6.1
Loan arrangement fees accrued	(4.1)	(0.2)	-
Revaluation FX on loan	-	1.3	1.4
Increase in leasehold liability resulting from property acquisitions	-	31.1	29.6
Amortisation of headlease present value	3.8	-	5.2
Other financial liability arising from 'income strip' sale	-	257.0	257.0
<b>Bank borrowings and leasehold liability at end of the period</b>	<b>1,524.3</b>	<b>1,767.9</b>	<b>1,538.7</b>

In addition to the above cash flows relating to financing activities, there has also been £36.3m of interest paid in the period (period ended 30 September 2022: £11.5m, year ended 31 March 2023: £40.4m).

## 16. Leasehold liabilities

Headlease obligations in respect of amounts payable on leasehold properties are as follows;

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Minimum headlease payments			
Within one year	2.3	2.3	2.3
Between one and five years	9.3	9.3	9.2
More than five years	198.3	201.4	196.0
Less future finance charges	(166.1)	(169.1)	(163.8)
	<b>43.8</b>	<b>43.9</b>	<b>43.7</b>

The earliest expiry date of all the headlease obligations is in more than five years. £1.5m (31 March 2023: £1.5m, 30 September 2022: £nil) of the minimum headlease payments due within one year are recoverable from occupational tenants.

The Group's accounting policy for headleases is disclosed in Note 3.

The leasehold liabilities relate to where the Group has long term leasehold properties and under the leasehold agreement is required to pay the freeholder rent. These total £43.8m and are reflected on the face of the Statement of Financial Position and in note 14. Of this balance £0.2m is due in less than one year and £43.6m is due in more than one year. The leasehold assets are held within investment property, see Note 9. The lease terms are generally fixed rent payable, subject to periodic CPI or RPI uplifts.

## 17. Interest rate derivatives

A number of interest rate caps and one interest rate swap have been taken out in respect of the Group's variable rate debt in order to mitigate the interest rate risk that arises as a result of entering into variable rate loans.

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Current assets – Derivative financial instruments	–	39.8	3.1
Non-current assets – Derivative financial instruments	40.0	–	29.3
	<b>40.0</b>	<b>39.8</b>	<b>32.4</b>

The interest rate derivatives are valued by the relevant counterparty banks on a quarterly basis in accordance with IFRS 9. Any movement in the mark-to-market values of the derivatives are taken to Group profit or loss.

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Interest rate derivative valuation brought forward	32.4	1.2	1.2
Derivatives acquired on merger	–	12.4	12.4
Premium paid	6.1	1.2	26.5
Closed instruments	(4.8)	–	(27.7)
Amounts received on interest rate derivatives held at fair value through profit and loss	(7.0)	–	(2.2)
Changes in fair value of interest rate derivatives	13.3	25.0	22.2
	<b>40.0</b>	<b>39.8</b>	<b>32.4</b>

### Fair value hierarchy

The fair value of Group's interest rate derivatives is recorded in the Group Statement of Financial Position and is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the period end.

This valuation technique falls within Level 2 of the fair value hierarchy as defined by IFRS 13. There have been no transfers between Level 1 and Level 2 during any of the years, nor have there been any transfers between Level 2 and Level 3 during any of the years.

## 18. Reserves

### Share capital

	30 September 2023 Number (million)	30 September 2023 £m	30 September 2022 Number (million)	30 September 2022 £m	31 March 2023 Number (million)	31 March 2023 £m
Shares of £0.01 each						
At the beginning of the period	1,714.5	17.1	911.6	9.1	911.6	9.1
Issued during the period	-	-	802.9	8.0	802.9	8.0
<b>At the end of the period</b>	<b>1,714.5</b>	<b>17.1</b>	<b>1,714.5</b>	<b>17.1</b>	<b>1,714.5</b>	<b>17.1</b>
<b>Issued and fully period</b>	<b>1,714.5</b>	<b>17.1</b>	<b>1,714.5</b>	<b>17.1</b>	<b>1,714.5</b>	<b>17.1</b>

In the prior financial year, on 7 July 2022 the Company issued 802.9m ordinary shares at 143.4p per share (1p nominal value and a premium of 142.4p per share). The shares were issued as consideration for the acquisition of 100% of the issued share capital of Secure Income REIT plc ("SIR") along with a partial cash settlement. SIR shareholders were entitled to receive 3.32 shares for each SIR share held, with the option to elect to receive cash instead of some, or potentially all, of the shares to which they would otherwise be entitled up to a maximum of 25% of the total consideration. The issue price of the shares reflects the fair value of the assets acquired.

## Notes to the consolidated financial statements (continued)

### 18. Reserves (continued)

#### 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.

	30 September 2023 £m	30 September 2022 (restated) £m	31 March 2023 (restated) £m
Share premium reserve			
At the beginning of the period	940.0	940.0	940.0
<b>At the end of the period</b>	<b>940.0</b>	<b>940.0</b>	<b>940.0</b>

Share issue costs relating to the merger have been capitalised.

At the AGM on 7 September 2023, shareholders approved a resolution to cancel the Company's share premium account, which stood at £940m. The court order to confirm the cancellation was received on 10 October 2023, following which the share premium account was cancelled. Cancellation results in this capital being treated as realised profit, giving us the flexibility to declare dividends or make other distributions to shareholders, although there is no current intention to do so.

#### Merger reserve

The merger reserve relates to amounts subscribed for share capital in excess of nominal value net of directly attributable share issue costs relating to the plc transaction described above. This reserve is not distributable.

	30 September 2023 £m	30 September 2022 (restated) £m	31 March 2023 (restated) £m
Merger reserve			
At the beginning of the period	1,180.8	–	–
Premium on issue of ordinary shares	–	1,180.8	1,180.8
<b>At the end of the period</b>	<b>1,180.8</b>	<b>1,180.8</b>	<b>1,180.8</b>

#### Foreign exchange reserve

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date that the fair value was determined. Gains and losses arising on exchange are included in the profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly to equity, and any exchange component of that gain and loss is also recognised directly to equity.

#### Capital reduction reserve

The capital reduction reserve account is classed as a distributable reserve. Movements in the period relate to dividends paid.

#### Retained earnings

Retained earnings relate to all net gains and losses not recognised elsewhere.

Note although the Group has negative retained earnings at the period end due to the downward revaluation in property, the Company still has a large amount of distributable reserves. At the AGM on 7 September 2023 shareholders approved a resolution to cancel the Company's share premium account which stood at £940m. The court order to confirm the cancellation was received on 10 October 2023, following which the share premium account was cancelled. Cancellation results in this capital being treated as realised profit, therefore creating even further headroom. At the period end the group has distributable reserves of £221.0m.

During the prior period the Directors became aware that certain dividends paid since the merger had been made otherwise than in accordance with the Companies Act 2006 as the relevant accounts of the Company did not show distributable reserves at the time of payment.

The affected dividends are the interim dividend of 1.575 pence per Ordinary Share for the quarter ended 30 June 2022 (paid on 18 November 2022), the interim dividend of 1.575 pence per Ordinary Share for the quarter ended 30 September 2022 (paid on 4 January 2023) and the interim dividend of 1.575 pence per Ordinary Share for the quarter ended 31 December 2022 (paid on 10 March 2023) (the "Relevant Dividends").

At the AGM held in September 2023, the Company's shareholders approved a special resolution which remedied this issue. The effect of this resolution being passed was to return all parties to the position they would have been in had the Relevant Dividends been made in full compliance with the Companies Act 2006. The removal of any right for the Company to pursue its directors for repayment of the Relevant Dividends constitutes a related party transaction under IAS 24 and, for the purposes of the UK Listing Rules, a smaller related party transaction under Listing Rule 11.1.10R.

## 19. Dividends

Dividends paid and declared	£m
<b>Dividends in respect of the year ended 31 March 2023</b>	
Fourth quarterly dividend at 1.575p per share	27.0
<b>Dividends in respect of the year ended 31 March 2024</b>	
First quarterly dividend at 1.65p per share	-
Second quarterly dividend at 1.65p per share	-
<b>Total dividends paid</b>	<b>27.0</b>
<b>Total dividend per share paid in the period</b>	<b>1.575p</b>
<b>Total dividend per share proposed in respect of the period</b>	<b>3.30p</b>

### Dividends in respect of the year ending 31 March 2024

On 6 September 2023, the Company announced a first quarterly dividend in respect of the year ended 31 March 2024 of 1.65p per share which was paid on 13 October 2023 to shareholders on the register at 15 September 2023.

## 19. Dividends (continued)

On 30 November 2023, the Company announced a second quarterly dividend in respect of the year ended 31 March 2024 of 1.65p per share which will be paid on 10 January 2023 to shareholders on the register at 7 December 2023.

Dividends paid and declared	£m
<b>Dividends in respect of the year ended 31 March 2022</b>	
Fourth quarterly dividend at 1.50p per share	13.6
<b>Dividends in respect of the year ended 31 March 2023</b>	
First quarterly dividend at 1.575p per share	27.0
Second quarterly dividend at 1.575p per share	27.0
Third quarterly dividend at 1.575p per share	27.0
<b>Total dividends paid</b>	<b>94.6</b>
<b>Total dividend per share paid in the period</b>	<b>6.225p</b>
<b>Total dividend per share proposed in respect of the year</b>	<b>6.3p</b>

### Dividends in respect of the year ended 31 March 2023

On 22 September 2022, the Company announced a first quarterly dividend in respect of the year ended 31 March 2023 of 1.575p per share which was paid on 18 November 2022 to shareholders on the register on 30 September 2022.

On 24 November 2022, the Company announced a second quarterly dividend in respect of the year ended 31 March 2023 of 1.575p per share which will be paid on 4 January 2023 to shareholders on the register at 2 December 2022.

On 9 February 2023, the Company announced a third quarterly dividend in respect of the year ended 31 March 2023 of 1.575p per share which was paid on 10 March 2023 to shareholders on the register on 16 February 2023.

On 7 June 2023 the Board approved a final quarterly dividend in respect of the year ended 31 March 2023 of 1.575 pence per share, payable on 6 July 2023 to shareholders on the register at 16 June 2023. The ex-dividend date will be 15 June 2023.



## 20. Leases

### The Group as lessor

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

Lease receivables	< 1 year £m	1-5 years £m	> 5 years £m	Total £m
<b>30 September 2023</b>	<b>197.7</b>	<b>819.3</b>	<b>6,061.5</b>	<b>7,078.5</b>
31 March 2023	197.1	825.1	6,090.1	7,112.3
30 September 2022	194.7	807.6	5,970.9	6,973.2

An overview of the Group's leasing activities is given in the Investment Advisors Report.

### 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
<b>30 September 2023</b>	<b>2.3</b>	<b>9.3</b>	<b>198.3</b>	<b>209.8</b>
31 March 2023	2.3	9.2	196.0	207.5
30 September 2022	2.3	9.3	201.4	213.0

The above is in respect of leasehold properties held by the Group. There are 191 properties (31 March 2023: 194 properties, 30 September 2022: 194 properties) held leasehold with lease ranges from 99 years to 999 years.

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

## 21. 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 in order to allocate resources to the segments and to assess their performance.

The internal financial reports contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the consolidated financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA and alternative performance measures as disclosed in Notes 26 and 27 and the Additional Information.

The Group's property portfolio comprises investment property, diversified across 13 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.

The geographical split of revenue and material applicable non-current assets was:

### Revenue

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
UK	118.2	70.9	187.0
Germany	10.1	4.6	16.5
	<b>128.3</b>	<b>75.5</b>	<b>203.5</b>

### Investment properties

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
UK	3,050.7	3,749.2	3,427.3
Germany	140.7	162.1	142.3
	<b>3,191.4</b>	<b>3,911.3</b>	<b>3,569.6</b>

During the half-year the Group had three tenants (30 September 2022: 3, 31 March 2023: 3) that are considered major customers, contributing more than 10% of the Group's contractual annual passing rent per tenant. The Group's turnover is allocated to major customers as follows:

### Revenue including tenant lease incentives

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Major tenants	63%	42%	51%
Other tenants (each less than 10% of revenue)	37%	58%	49%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 22. Related party transactions

### Transactions with the Board of Directors

In respect of the period ended 30 September 2023 fees of £0.2m were payable to the Directors (30 September 2022: £0.2m, 31 March 2023: £0.4m) under service contracts. Employers NI contributions were nil in the period (30 September 2022: nil, 31 March 2023: nil).

The following table summarises the number of ordinary shares purchased during the year by Directors and the number of ordinary shares held period end:

		30 September 2023 Number	30 September 2022 Number	31 March 2023 Number
Cyrus Ardalán	Acquired	–	–	–
	Held	206,000	206,000	206,000
John Cartwright*	Acquired	–	–	–
	Held	66,687	66,687	66,687
Hugh Seaborn	Acquired	–	40,595	40,595
	Held	40,595	40,595	40,595
Ismat Levin	Acquired	–	–	–
	Held	14,084	14,084	14,084
Nick Leslau (appointed 6 July 2022)**	Acquired	–	95,978,407	95,978,407
	Held	95,978,407	95,978,407	95,978,407
Sandy Gumm (appointed 6 July 2022)	Acquired	–	639,345	639,345
	Held	639,354	639,354	639,345

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

\*\* includes persons closely associated (as defined by the EU Market Abuse Regulation) with the Director.

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

### Transactions with the Investment Advisor

A fee of £5.6m was payable to the Investment Advisor in respect of the period (30 September 2022: £6.2m, 31 March 2023: £12.9m). At 30 September 2023, £1.1m was due to the Investment Advisor (30 September 2022: £1.6m, 31 March 2023: £1.2m) for provision of 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 £500m;
- One-twelfth of 0.65% per calendar month of market capitalisation between £500m and £2bn; and
- One-twelfth of 0.55% per calendar month of market capitalisation above £2bn.

The previous fee structure which applied up until 7 July 2022 is as follows:

## Notes to the consolidated financial statements (continued)

### 22. Related party transactions (continued)

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

No performance fee is payable to the Investment Advisor.

### 23. 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 and borrower	UK	100%
LXi Property Holdings 2 Limited <sup>1</sup>	Property investment	UK	100%
LXi Property Holdings 3 Limited	Property investment and borrower	UK	100%
LXi Property Holdings 4 Limited <sup>1</sup>	Property investment	UK	100%
LXi Property Holdings 4a Limited <sup>1</sup>	Property investment	UK	100%
Alco 1 Limited <sup>1</sup>	Property investment	UK	100%
FPI Co 223 Limited <sup>1</sup>	Dormant	UK	100%
LXi Cowdenbeath Limited <sup>1</sup>	Property investment	UK	100%
SM Plymouth Hotel Limited <sup>1</sup>	Property investment	UK	100%
Corby (General Partner) Limited <sup>1</sup>	Dormant	UK	100%
Corby Limited Partnership <sup>2</sup>	Dormant	UK	100%
LXi Pacific Limited <sup>1</sup>	Property investment	UK	100%
Corby (No.2) Unit Trust <sup>1</sup>	Dormant	Jersey	100%
LXi Spirit Limited <sup>1</sup>	Property investment	Isle of Man	100%
Welling Property Limited <sup>1</sup>	Property investment	Jersey	100%
LXi Property Holdings 5 Limited <sup>1</sup>	Property investment	UK	100%
LXi Property Holdings 5a Limited <sup>1</sup>	Property investment	UK	100%
LXi Property Holdings 6 Limited <sup>1</sup>	Property investment	UK	100%
LXi Finco Limited	Intermediate parent company	UK	100%
LXi Finco 1 Limited <sup>1</sup>	Intermediate parent company and borrower	UK	100%
LXi Holdco 1 Limited	Intermediate parent company	UK	100%
LXi Finco 2 Limited <sup>1</sup>	Intermediate parent company and borrower	UK	100%
LXi Holdco 2 Limited	Intermediate parent company	UK	100%

Name of Entity	Principal activity	Country of Incorporation	Ownership
LXi Cornbow Limited <sup>1</sup>	Property investment	UK	100%
LXi SIR Holdco Limited (previously Secure Income REIT Plc)	Intermediate parent company	UK	100%
SIR Theme Park Subholdco Limited <sup>1</sup>	Intermediate parent company	UK	100%
SIR ATH Limited <sup>1</sup>	Property investment	UK	100%
SIR ATP Limited <sup>1</sup>	Property investment	UK	100%
SIR HP Limited <sup>1</sup>	Property investment (incorporated in England, operating in Germany)	UK	100%
SIR TP Limited <sup>1</sup>	Property investment	UK	100%
SIR WC Limited <sup>1</sup>	Property investment	UK	100%
SIR Hospital Holdings Limited <sup>1</sup>	Intermediate parent company	UK	100%
SIR Umbrella Limited <sup>1,3</sup>	Intermediate parent company	UK	100%
SIR Hospitals Propco Limited <sup>1,3</sup>	Intermediate parent company and borrower	UK	100%
SIR Duchy Limited <sup>1,3</sup>	Property investment	UK	100%
SIR Springfield Limited <sup>1,3</sup>	Property investment	UK	100%
SIR Healthcare 1 Limited <sup>1,4</sup>	Intermediate parent company	UK	100%
SIR Healthcare 2 Limited <sup>1,4</sup>	Intermediate parent company	UK	100%
SIR Fitzwilliam Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Fulwood Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Lisson Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Midlands Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Oaklands Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Oaks Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Pinehill Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Rivers Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Woodland Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Yorkshire Limited <sup>1,4</sup>	Property investment	UK	100%
Thomas Rivers Limited <sup>1,4</sup>	Property investment	UK	100%
SIR Hotels 1 Limited <sup>1</sup>	Dormant	UK	100%
SIR Hotels Jersey Limited <sup>1</sup>	Dormant	Jersey	100%
SIR Unitholder 1 Limited <sup>1</sup>	Intermediate parent company	Jersey	100%
SIR Unitholder 2 Limited <sup>1</sup>	Intermediate parent company	Jersey	100%
Grove Property Unit Trust 6 <sup>1</sup>	Property investment	Jersey	100%
Grove Property Unit Trust 7 <sup>1</sup>	Property investment	Jersey	100%
Grove Property Unit Trust 9 <sup>1</sup>	Property investment	Jersey	100%
Grove Property Unit Trust 11 <sup>1</sup>	Property investment	Jersey	100%
Grove Property Unit Trust 12 <sup>1</sup>	Property investment	Jersey	100%
Grove Property Unit Trust 16 <sup>1</sup>	Property investment	Jersey	100%
SIR Hotels 2 Limited <sup>1</sup>	Dormant	UK	100%

## Notes to the consolidated financial statements (continued)

### 22. Related party transactions (continued)

Name of Entity	Principal activity	Country of Incorporation	Ownership
SIR Hotels Jersey 2 Limited <sup>1</sup>	Intermediate parent company and property investment	Jersey	100%
SIR Unitholder 3 Limited <sup>1</sup>	Intermediate parent company	Jersey	100%
SIR Unitholder 4 Limited <sup>1</sup>	Intermediate parent company	Jersey	100%
Grove Property Unit Trust 2 <sup>1</sup>	Property investment	Jersey	100%
Grove Property Unit Trust 5 <sup>1</sup>	Property investment	Jersey	100%
Grove Property Unit Trust 13 <sup>1</sup>	Property investment	Jersey	100%
Grove Property Unit Trust 14 <sup>1</sup>	Property investment	Jersey	100%
Grove Property Unit Trust 15 <sup>1</sup>	Property investment	Jersey	100%
SIR Maple 4 Limited <sup>1</sup>	Property investment	UK	100%
SIR Maple Holdco Limited <sup>1,5</sup>	Intermediate parent company	UK	100%
SIR Maple 1 Limited <sup>1,5</sup>	Intermediate parent company	Jersey	100%
SIR Unitholder 5 Limited <sup>1</sup>	Intermediate parent company	Jersey	100%
MIF 1 Unit Trust <sup>1</sup>	Property investment and borrower	Jersey	100%
SIR Maple 2 Limited <sup>1,5</sup>	Property investment and borrower	UK	100%
SIR Maple 3 Limited <sup>1,5</sup>	Property investment and borrower	UK	100%
SIR New Hall Limited <sup>1</sup>	Dormant	UK	100%
SIR MTL Limited <sup>1</sup>	Dormant	UK	100%
Charcoal Bidco Limited <sup>1</sup>	Dormant	UK	100%
SIR Hotels 2 Holdco Limited <sup>1</sup>	Dormant	Jersey	100%
SIR Hotels 2 GP Limited <sup>1</sup>	Dormant	Jersey	100%
SIR Hotels 2 Nominee Limited <sup>1</sup>	Dormant	Jersey	100%
SIR Newco Limited <sup>1</sup>	Dormant	UK	100%
SIR Newco 2 Limited <sup>1</sup>	Dormant	UK	100%

<sup>1</sup> Subsidiaries indirectly owned.

<sup>2</sup> Subsidiary dissolved post period end

<sup>3</sup> These subsidiary undertakings are taking advantage of the exemption from audit under section 479a of the Companies Act 2006 and as a result SIR Hospitals Propco Limited will provide a statutory guarantee for any outstanding liabilities of these undertakings as at 31 March 2023.

<sup>4</sup> These subsidiary undertakings are taking advantage of the exemption from audit under section 479a of the Companies Act 2006 and as a result SIR Healthcare 2 Limited will provide a statutory guarantee for any outstanding liabilities of these undertakings as at 31 March 2023.

<sup>5</sup> These subsidiary undertakings are taking advantage of the exemption from audit under section 479a of the Companies Act 2006 and as a result SIR Maple Holdco Limited will provide a statutory guarantee for any outstanding liabilities of these undertakings as at 31 March 2023.

The registered office for UK subsidiaries is 8th Floor, 100 Bishopsgate, London, EC2N 4AG.

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.



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## 24. Financial risk management

The Group is exposed to interest rate risk, credit risk, liquidity risk and foreign exchange risk in the current and future periods. The Board of Directors oversees the management of these risks. The policies of the Board 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 by entering into interest rate derivatives, which at the balance sheet date included interest rate swaps and caps. In addition, a number of the facilities acquired as part of the SIR merger bear interest at a fixed rate.

### 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 holding cash deposits and those that are derivative counterparties. The Board believes that the credit risk on short term deposits, receivables under derivative contracts 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 excluding cash or cash equivalents.

#### Credit risk related to leasing activities

In respect of occupational leasing arrangements, in the event of a default by a tenant, the Group may suffer a void period where no rents are received and incur additional re-letting costs. The quality of the tenant is assessed based on an extensive tenant covenant review scorecard prior to acquisition of the property. The assessment of the tenant credit worthiness is also monitored on an ongoing basis. Credit risk is assisted by the vast majority of occupational leases requiring that tenants pay rentals in advance. The Investment Advisor monitors the rent collection in order to anticipate and minimise the impact of defaults by tenants. Outstanding rent receivables are regularly monitored. The Group defines default as a tenant being unable to make the required payments on their rental obligations. Rent collection statistics are benchmarked in internal reports to identify any problems at any early stage, and if necessary and where possible (in the absence, for example, of a Government imposed moratorium on the enforcement of rent collection) rigorous credit control procedures are applied to facilitate the recovery of trade receivables.

### 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 involves maintaining sufficient cash, 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 as and when it is required.

## Notes to the consolidated financial statements (continued)

### 24. Financial risk management (continued)

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

	< 3 months £m	3–12 months £m	1–5 years £m	> 5 years £m	Total £m
<b>30 September 2023 Financial liabilities</b>					
Bank borrowings (Note 15)	0.9	2.6	949.8	318.0	1,271.3
Early repayment of debt costs	–	–	–	–	–
Interest payable on bank borrowings	14.3	42.8	127.4	114.6	299.1
Trade and other payables	29.0	–	–	–	–
Other financial liabilities	2.1	6.4	34.2	503.7	546.4
Lease payables	0.6	1.7	9.2	198.3	209.8
Retentions payable	0.2	0.6	0.9	–	1.7
	<b>47.1</b>	<b>54.1</b>	<b>1,121.5</b>	<b>1,134.6</b>	<b>2,328.3</b>
<b>30 September 2022 Financial liabilities</b>					
Bank borrowings (Note 15)	232.8	513.1	565.6	170.0	1,481.5
Early repayment of debt costs	20.2	–	–	–	20.2
Interest payable on bank borrowings	13.3	29.6	60.6	30.1	133.6
Trade and other payables	4.3	–	–	–	4.3
Other financial liabilities	2.1	6.2	32.8	492.6	533.7
Lease payables	0.6	1.7	9.3	201.4	213.0
Retentions payable	0.2	0.5	2.2	–	2.9
	<b>273.5</b>	<b>551.1</b>	<b>670.5</b>	<b>894.1</b>	<b>2,389.2</b>
<b>31 March 2023 Financial liabilities</b>					
Bank borrowings (Note 15)	451.3	61.6	567.1	170.0	1,250.0
Interest payable on bank borrowings	9.8	22.6	51.5	27.7	111.6
Trade and other payables	30.5	–	–	–	30.5
Lease payables	0.6	1.7	9.2	196.0	207.5
Other financial liability	2.1	6.2	32.8	488.5	529.6
Retentions payable	0.7	0.2	0.7	–	1.6
	<b>495.0</b>	<b>92.3</b>	<b>661.3</b>	<b>882.2</b>	<b>2,130.8</b>

In April 2023 the Group completed on two refinancing events for over £700m of debt that was due to mature within one year. On 10 November the Group agreed a two-year extension of the £60m HSBC facility which was the next maturing debt. Following this, the next significant refinancing event falls in September 2025.

### 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 attractive 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 30% of the Group's total assets.

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

### Foreign currency exchange risk

The Group prepares its financial statements in Sterling. On both an IFRS basis and EPRA basis, 4.2% by value of the Group's net assets are Euro denominated and as a result the Group is subject to foreign currency exchange risk.

The Group's sensitivity to changes in foreign currency exchange rates, calculated on the basis of a 10% increase in average and closing Sterling rates against the Euro, was as follows, with a 10% decrease having the opposite effect:

	Half-year ended 30 September 2023 £m
Investment property revaluation net of deferred tax	(0.6)
Other income statement movements	0.5
Increase in loss for the half-year	(0.1)
<b>Increase in other comprehensive income and equity</b>	<b>10.1</b>

## 25. Capital commitments

At 30 September 2023 the Group had capital commitments of £39.3m inclusive of accrued retentions of £1.8m (31 March 2023: £50.8m, 30 September 2022 £42.5m) in relation to the cost to complete its forward funded pre-let development assets and £nil in respect of acquisitions for which contracts had exchanged but conditions to completion remain outstanding (31 March 2023: £5.7m, 30 September 2022 £9.8m). All commitments fall due for settlement within one year from the date of this report.

## Notes to the consolidated financial statements (continued)

### 26. Earnings per share

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

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
<b>Loss for the period/year</b>	<b>(83.1)</b>	<b>(29.2)</b>	<b>(288.1)</b>
Weighted average number of ordinary shares (million)	1,714.5	1,288.9	1,501.1
<b>Earnings per share ("EPS")</b>	<b>(4.9)p</b>	<b>(2.3)p</b>	<b>(19.2)p</b>
Adjustments to remove:			
Change in fair value of investment property	161.3	80.3	406.7
Loss on disposal of investment property	0.5	0.1	2.8
Loss on close out of derivatives	0.3	–	4.6
Change in fair value of interest rate derivative	(13.3)	(25.0)	(22.2)
Loss on extinguishment of debt	4.1	20.6	20.6
<b>EPRA earnings</b>	<b>69.8</b>	<b>46.8</b>	<b>124.4</b>
Weighted average number of ordinary shares (million)	1,714.5	1,288.9	1,501.1
<b>EPRA EPS</b>	<b>4.1p</b>	<b>3.6p</b>	<b>8.3p</b>
Adjustments to include:			
One off items	0.4	–	–
Licence fees receivable	1.3	1.2	3.1
Amortisation of cash backed rental top ups and rent-free periods	0.5	0.3	0.9
Amortisation of loan fees	5.8	2.3	6.1
Amounts received on interest rate derivatives held at fair value through profit and loss	7.0	–	2.2
Cash differential on PV leasehold unwinding	(0.8)	–	–
Reverse deferred tax provision	–	1.1	–
Adjustments to exclude:			
Accretion of tenant lease incentives (Note 9)	(24.9)	(13.7)	(37.8)
Abortive fees (Note 6)	–	1.4	1.5
<b>Adjusted cash earnings</b>	<b>59.1</b>	<b>39.4</b>	<b>100.4</b>
Weighted average number of ordinary shares (million)	1,714.5	1,288.9	1,501.1
<b>Adjusted cash EPS</b>	<b>3.4p</b>	<b>3.1p</b>	<b>6.7p</b>

Adjusted cash EPS is a performance measure used by the Board to assess the Company's underlying cash earnings and, importantly, its dividend cover. The metric adjusts EPRA earnings to include licence fees receivable from developers, amortisation of rental top ups and exclude amortisation of loan fees, movements in the deferred tax provision, accretion of tenant lease incentives and one-off costs including abortive costs.

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.

## 27. Net asset value per share

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

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
<b>Net asset value ("NAV")</b>	<b>1,995.7</b>	<b>2,448.2</b>	<b>2,108.1</b>
Number of ordinary shares (million)	1,714.5	1,714.5	1,714.5
<b>NAV per share</b>	<b>116.4p</b>	<b>142.8p</b>	<b>123.0p</b>
Less derivative financial instruments	(40.0)	(25.9)	(32.4)
<b>EPRA NTA</b>	<b>1,955.7</b>	<b>2,422.3</b>	<b>2,075.7</b>
Number of ordinary shares	1,714.5	1,714.5	1,714.5
<b>EPRA NTA per share</b>	<b>114.1p</b>	<b>141.3p</b>	<b>121.1p</b>
<b>EPRA NTA per share (Ex div)</b>	<b>112.4p</b>	<b>139.7p</b>	<b>121.1p</b>

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## 28. Post balance sheet events

At the AGM on 7 September 2023, shareholders approved a resolution to cancel the Company's share premium account, which stood at £940m. The court order to confirm the cancellation was received on 10 October 2023, following which the share premium account was cancelled. Cancellation results in this capital being treated as realised profit, giving us the flexibility to declare dividends or make other distributions to shareholders, although there is no current intention to do so.

On 10 November the extension of the HSBC £60m Leisure facility was signed, moving the maturity date of that facility from December 2024 to December 2026. Following this, the next significant refinancing event relates to the £291m AIG healthcare facility in October 2025.

On 30 November 2023 the board declared an interim quarterly dividend in respect of the quarter ended 30 September 2023 of 1.65 pence per ordinary share.

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## 29. Controlling parties

There is no ultimate controlling party of the Group.

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## 30. Prior period restatement

During the period, the Directors identified the incorrect application of section 612 of the Companies Act 2006 to the shares issued as part of the acquisition of Secure Income REIT plc ("SIR"). The £1,180.8m excess of fair value over the nominal value of the shares recognised on the SIR acquisition and presented on the September 2022 and March 2023 statement of financial position and statement of changes in equity was erroneously recorded as share premium and should instead have been recorded as a merger reserve. The prior year comparatives have been restated to decrease share premium by £1,180.8m and increase merger reserve by the same amount in the statement of financial position and statement of changes in equity. The adjustment has no overall effect on the total net assets of the Company and Group at either 30 September 2023, 31 March 2023 or 30 September 2022 or on the Company and Group loss for either the period ended 30 September 2023, the year ended 31 March 2023 or the period ended 30 September 2022. The adjustment has no impact on distributable reserves as both reserves are non-distributable.



# Notes to the EPRA and alternative performance measures

## EPRA NAV measures

The Board consider EPRA NTA to be the most relevant NAV measure for the Group and we report this as our primary NAV measure. EPRA requires the publication of three different measures of NAV. EPRA NTA is reconciled to IFRS net asset value as follows.

As at 30 September 2023	Current measures		
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Net asset value	1,995.7	1,995.7	1,995.7
Mark-to-market adjustments of derivatives	(40.0)	(40.0)	-
Fair value of debt	-	-	(43.0)
Real estate transfer tax	-	211.6	-
<b>At 30 September 2023</b>	<b>1,955.7</b>	<b>2,167.3</b>	<b>1,952.7</b>
Number of ordinary shares (million)	1,714.5	1,714.5	1,714.5
<b>Per share</b>	<b>114.1p</b>	<b>126.4p</b>	<b>113.9p</b>

As at 30 September 2022	Current measures		
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Net asset value	2,448.2	2,448.2	2,448.2
Mark-to-market adjustments of derivatives	(25.9)	(25.9)	-
Fair value of debt	-	-	(71.8)
Real estate transfer tax	-	245.5	-
<b>At 30 September 2022</b>	<b>2,422.3</b>	<b>2,667.8</b>	<b>2,376.4</b>
Number of ordinary shares (million)	1,714.5	1,714.5	1,714.5
<b>Per share</b>	<b>141.3p</b>	<b>155.6p</b>	<b>138.6p</b>

As at 31 March 2023	Current measures		
	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Net asset value	2,108.1	2,108.1	2,108.1
Mark-to-market adjustments of derivatives	(32.4)	(32.4)	-
Fair value of debt	-	-	(54.5)
Real estate transfer tax	-	176.3	-
<b>At 31 March 2023</b>	<b>2,075.7</b>	<b>2,252.0</b>	<b>2,053.6</b>
Number of ordinary shares (million)	1,714.5	1,714.5	1,714.5
<b>Per share</b>	<b>121.1p</b>	<b>131.4p</b>	<b>119.8p</b>

As disclosed in Note 8 as at 30 September 2023, the Group has an unrecognised deferred tax liability of £9.7 million (31 March 2023: £9.5 million, 30 September 2022: £11.9 million) arising on the German property which is not included in within the net asset position of the Group and therefore not reflected in these EPRA measures in line with EPRA guidance.

## Notes to the EPRA and alternative performance measures (continued)

### EPRA NIY and EPRA 'Topped Up' NIY

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Share premium reserve			
Investment property – wholly owned	3,191.4	3,656.6	3,356.3
Less: development properties	(54.4)	(89.9)	(85.7)
<b>Completed property portfolio</b>	<b>3,137.0</b>	<b>3,572.7</b>	<b>3,270.6</b>
Allowance for estimated purchasers' costs	213.3	242.9	222.4
<b>Gross up completed property portfolio valuation (b)</b>	<b>3,350.3</b>	<b>3,815.6</b>	<b>3,493.0</b>
Annualised passing rental income	204.2	200.1	201.9
Less: contracted rental income in respect of development properties	(3.6)	(3.5)	(4.8)
Property outgoings	–	–	–
<b>Annualised net rents<sup>1</sup> (a)</b>	<b>200.6</b>	<b>196.6</b>	<b>197.1</b>
Contractual increases for lease incentives <sup>2</sup>	94.0	122.2	129.8
<b>Topped up annualised net rents (c)</b>	<b>294.6</b>	<b>318.8</b>	<b>326.9</b>
<b>EPRA NIY (a/b)</b>	<b>6.0%</b>	<b>5.2%</b>	<b>5.6%</b>
<b>EPRA Topped Up NIY (c/b)</b>	<b>8.8%</b>	<b>8.4%</b>	<b>9.4%</b>

### EPRA Vacancy Rate

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Annualised estimated rental value of vacant premises	–	–	–
Annualised net rents <sup>1</sup>	200.6	196.6	197.1
<b>EPRA Vacancy Rate</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

### EPRA Cost Ratio

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Property operating costs	0.2	0.1	–
Vacant property costs	–	–	–
Administration expenses <sup>4</sup>	8.7	9.4	18.8
<b>Total costs (both including and excluding vacant property costs<sup>4</sup>)</b>	<b>8.9</b>	<b>9.5</b>	<b>18.8</b>
Total net rental income	124.6	75.5	198.2
<b>Total EPRA cost ratio</b>	<b>7.1%</b>	<b>12.6%</b>	<b>9.5%</b>

## EPRA LTV

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
Borrowings from financial institutions	1,271.3	1,249.5	1,250.0
Net payables	61.9	–	53.7
Exclude cash	(112.0)	(114.3)	(74.4)
<b>Net debt (a)</b>	<b>1,221.2</b>	<b>1,137.8</b>	<b>1,229.3</b>
Built investment property at fair value	3,137.0	3,566.4	3,356.3
Fair value of properties under development	54.4	44.1	30.1
Net receivables	–	175.9	–
<b>Total property value (b)</b>	<b>3,191.4</b>	<b>3,786.4</b>	<b>3,386.4</b>
<b>LTV (a/b)</b>	<b>38%</b>	<b>30%</b>	<b>36%</b>

## Total NAV return

	Half-year ended 30 September 2023 £m	Half-year ended 30 September 2022 £m	Year ended 31 March 2023 £m
EPRA NTA per share at beginning of the period	121.1	142.6	142.6
EPRA NTA per share at end of the period	114.1	141.3	121.1
<b>Change in EPRA NTA per share in the period</b>	<b>(7.0)</b>	<b>(1.3)</b>	<b>(21.5)</b>
Dividend per share paid in the period	1.6p	1.5p	6.3p
<b>Total of change in EPRA NTA and dividend per share</b>	<b>(5.4)</b>	<b>0.2</b>	<b>(15.2)</b>
<b>Total accounting return</b>	<b>(4.5)%</b>	<b>0.1%</b>	<b>(10.7)%</b>

- 1 Excludes contracted rents receivable on development properties
- 2 e.g. Step rents and expiry of rent-free periods
- 3 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
- 4 The Group has no vacant property costs

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# Company Information

Company number: 10535081

Country of incorporation: England and Wales

## Directors, Management and Advisers

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Hugh Seaborn

Ismat Levin

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Nick Leslau

Sandy Gumm

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