INTERIM RESULTS

LXI REIT PLC

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

LXi REIT plc

(the "Company" or the "Group")

INTERIM RESULTS FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2022

Financial highlights

Alternative performance measures	**Half-year to 30 September 2022**	Half-year to 30 September 2021	Change
Dividend per share	**3.15p**	3.00p	+5.0%
Total accounting return	**0.1%**	9.0%	-8.9pts
EPRA EPS	**3.6p**	2.8p	+28.6%
Adjusted cash EPS	**3.1p**	2.6p	+19.2%
EPRA cost ratio	**12.6%**	17.3%	-4.7pts

	As at 30 September 2022	As at 31 March 2022	Change
Portfolio value[1]	**£3,656.6m**	£1,544.4m	+136.8%
EPRA NTA per share (ex-dividend) [2]	**139.7p**	142.6p	-2.0%
Pro forma net LTV[3]	**33%**	22%	+11pts

IFRS performance measures	**Half-year to 30 September 2022**	Half-year to 30 September 2021	Change

Rental income	**£75.5m**	£25.4m	+197.2%
Operating profit before fair value changes	**£66.0m**	£21.0m	+214.3%
IFRS EPS	**-2.3p**	11.3p	-120.4%

	As at 30 September 2022	As at 31 March 2022	Change
Investment property at fair value[1]	**£3,911.3m**	£1,499.1m	+160.9%
Net assets	**£2,448.2m**	£1,300.7m	+88.2%
NAV per share	**142.8p**	142.7p	+0.1%

- Dividends per share totalled 3.15p in respect of the half-year (30 September 2021: 3.00p per share), which represents 5% growth on the previous six-months
- Total net tangible asset ("**NTA**") return of 0.1% for the half-year (30 September 2021: 9.0%)
- Since IPO, the Group has delivered an annualised total accounting return of 10.1% pa compounded, well ahead of our 8%+ medium term target[4]
- EPRA earnings per share ("**EPS**") were 3.6p and Adjusted cash EPS were 3.1p for the half-year (30 September 2021: 2.6p), representing full dividend cover for the period. The current run rate is materially higher than these figures given the period (i) only included two months of the merger efficiencies and benefits[5], (ii) reflected deployment of a significant capital raise, and (iii) did not include the earnings accretive 'income strip' sale which completed following the period end
- Portfolio independently valued at £3,656.6m, reflecting a six-month like for like change of -1.4%. The movement reflects an outward yield shift of 40 bps to 4.9% at 30 September 2022 (31 March 2022: 4.5%), offset by 2.5% like for like rental growth[6]
- The Group's net assets increased by 88.2% to £2,448.2m (31 March 2022: £1,300.7m), driven predominantly by the share for share element of the merger with Secure Income REIT plc ("**SIR plc**") (the "**Merger**")
- EPRA NTA per share (ex-dividend)[2] of 139.7 p (31 March 2022: 142.6p), reflecting a half-year decline in value of 2.0%, primarily driven by yield expansion across certain property sectors in response to wider economic conditions and the costs associated with the Merger, which represented less than 1% of the combined portfolio value[1] offset by the value generated by the Merlin 'income strip' sale
- Pro forma net loan to value ("**LTV**")[3] ratio of 33% (31 March 2022: 22%), with significant headroom to our medium-term borrowing policy cap of 40% and substantial covenant headroom. We remain committed to a conservative medium-term LTV target of 30%

The UK's leading sector diversified REIT

- During the period, LXi REIT plc merged with Secure Income REIT plc to create the UK's leading sector-diversified, long income REIT, with a substantial, defensive and resilient portfolio
- The scale achieved provides a strong foundation to deliver secure attractive long-dated and growing income returns and capital protection to our shareholders
- The Group owns an inflation-protected portfolio of 348 properties that are 100% occupied with an aggregate valuation of £3.7bn at 30 September 2022, contracted annual rental income of £200.7m and a WAULT to first break of 26 years
- Our assets are well 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 to tenant counterparties that have demonstrated strong performance throughout previous economic cycles
- Our properties are strategically important to the operations of our broad range of institutional-quality tenants
- Our shareholders continued to benefit from the certainty provided by the Group's highly diversified, triple-net portfolio of secure real estate assets, our conservative and 100% fixed or capped debt position and our very low cost base

Portfolio summary

	As at 30 September 2022	As at 31 March 2022
WAULT to first break	**26 years**	21 years
Number of assets	**348**	193

Number of tenants	**83**	71
Let or pre-let	**100%**	100%
Portfolio diversification by sector (by contracted annual rent)		
- Healthcare	**22%**	8%
- Budget hotels	**21%**	13%
- Theme parks	**19%**	-
- Foodstores	**9%**	25%
- Industrials	**7%**	18%
- Others	**22%**	36%
Rent review type (upward only)		
- RPI	**41%**	54%
- CPI	**23%**	19%
- Fixed	**34%**	23%
- Open market	**2%**	4%
Regular predictable rental growth profile		
- Annual reviews	**57%**	37%
- Five-yearly reviews	**43%**	63%
- Capped indexed linked uplifts	**44%**	67%
- Average cap	**3.8%**	3.6%
- Collared index-linked uplifts	**40%**	54%
- Average collar	**1.3%**	1.5%

Post period end highlights

Dividends

· Announced a dividend of 1.575p per share for the quarter ended 30 September 2022, keeping the Company on track to meet its annual dividend per share target of 6.3p[4]

Debt and hedging

· Following completion of the Merlin 'income strip' sale, the Group repaid in full the outstanding facility amount of £232m plus break costs on Merlin A Sterling facility. Break costs are fully provided in the Company's accounts to 30 September 2022 and the pro forma net LTV of 33% is stated after accounting for this transaction

· Closed out the related interest rate cap, receiving proceeds £23.1m net of costs used to pay down the Company's revolving credit facility

Outlook

· The Group's substantial scale will enable it to benefit from significant growth opportunities within our portfolio and in the market. The Company has already begun to do so, with the earnings and NAV accretive 'income strip' transaction

· The Board expects the Company and its shareholders to benefit from significant merger synergies, including approximately £8.6m of potential annual administrative cost savings[5], with the Group now having one of the lowest cost bases in the UK listed real estate sector. We have already begun to see the positive impact of this on our income returns for this six-month period and the Board remains confident that the full year results, which will comprise eight full months of the combined business, will further demonstrate this benefit

· Our priority is to own profitable assets that are attractive to tenant operators in sectors with the most positive and stable outlook. In doing so we can continue to provide sustainable inflation-protected income returns and capital growth to our shareholders

· Our strategies of recycling capital, moving in and out of sub-sectors, financing tenant growth ambitions through sale and leasebacks and our ability to forward fund provide a platform with significant opportunities, that we are confident will continue to deliver attractive returns over the longer term

· The low level of gearing within the Group also provides a wider range of refinancing options in respect of the facilities that fall due in the near term and we continue to explore alternative refinancing options

· Even in the current economic climate, there remain opportunities to find attractive leverage terms, particularly given the size, diversification and defensive qualities of our portfolio and the low loan to value ratio. The Board is confident in the Company's ability to refinance in a way that will protect the Group's assets and cash flows and continue to provide attractive returns to shareholders

· 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 very 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 continue to deliver outperformance

Cyrus Ardalan, Chairman of LXi REIT plc, commented:

"This year's merger between LXi and Secure Income REIT has been truly transformational for the Group. I welcome our new shareholders and thank all our shareholders for their continuing support.

The merger has significantly enhanced the scale of our operation. It has also strengthened the defensive characteristics of our portfolio, positioning us well to navigate the economic headwinds the UK now faces. Furthermore, we achieved significant cost savings from the merger, which will be visible in our full year results.

Geopolitical uncertainty and soaring inflation have resulted in volatile markets. Interest rates continue to rise, and the economy is projected to enter a recession. I am, however, comforted by the Group's defensive portfolio with diversified and very long-let assets, high quality tenant operators and resilient sub-sectors that are non-discretionary or 'trade down' alternatives.

Our inflation protected rents and very long leases are already showing their defensive qualities. As a result, rental growth has largely offset the negative movement in our portfolio valuations to deliver a neutral total return for the half-year.

In the months ahead we will be focusing on a number of important initiatives. We are in the process of refinancing our shorter-term debt to provide stakeholders with longer-term certainty and to underwrite our progressive dividend policy. We plan to recycle capital through selective disposals to reduce leverage or to capitalise on opportunistic purchases. Finally, we aim to generate and protect value for shareholders through accretive asset management initiatives.

I am confident in our ability to deliver on these objectives in the near-term and that we are well placed to continue to generate attractive risk-adjusted returns with inflation protection for our shareholders."

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The Company's LEI is: 2138008YZGXOKAXQVI45

NOTES:

LXI REIT plc invests in UK commercial property assets let, or pre-let, on long (typically 20 to 30 years to expiry or first break), inflation-linked leases to a wide range of strong tenant covenants across a diverse range of robust property sectors.

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

The Company is targeting a dividend of 6.3 pence per ordinary share for the year which commenced on 1 April 2022[3].

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

The Company is a constituent of the FTSE 250, EPRA/NAREIT, MSCI and STOXX Europe 600 indices.

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

Company presentation for investors and analysts

A Company presentation for investors and analysts will take place today, 24 November 2022, via a live webcast and conference call at 9.00am UK.

To access the live webcast, please register in advance here:

https://www.lsegissuerservices.com/spark/LXIREIT/events/f6fcc833-c0b7-4524-885c-c31907082f57

To register for the live conference call, please use this link to receive unique dial-in details:

https://cossprereg.btci.com/prereg/key.process?key=PDRNEHC3D

The recording of the webcast presentation will be available later in the day via the Company website: https://www.lxireit.com/results-centre

Alternative performance measures

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

The EPRA measures are widely recognised and used by public real estate companies and investors and seek to improve transparency, comparability, and relevance of published results in the sector.

Reconciliations between EPRA and other alternative performance measures and the IFRS financial statements can be found in Notes 24 and 25 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 2022 Annual Report and in the Additional Information on page 104.

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 8 to the condensed consolidated financial statements

2 The EPRA NTA per share (ex-dividend) is stated after deducting the dividend of 1.575p per share in respect of the quarter ended 30 June 2022, that went ex-dividend on 29 September 2022 and was paid on 18 November 2022

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 These are targets and not profit forecasts

5 The Merger documents included a quantified financial benefit statement that set out the Directors' expectation that the Merger would deliver potential annual administrative cost savings of approximately £8.6m

6 Like for like statistics presented in this report are calculated by reference to combined independent valuations included in the public merger documents performed by Knight Frank in respect of LXi REIT plc and CBRE in respect of Secure Income REIT plc as at 31 March 2022

CHAIRMAN'S STATEMENT

Dear shareholder

This report covers the six-month period from 1 April to 30 September 2022, and the maiden results for the enlarged Group, following the merger with Secure Income REIT plc ("**SIR plc**") (the "**Merger**"), which completed in July 2022. I welcome the new shareholders to the Company, and I am very pleased to report to you for the first time.

The combined Group owns a substantial defensive and resilient portfolio, providing a strong foundation to deliver secure attractive long-dated and growing income returns and capital protection to our shareholders. Our assets are well diversified across a broad range of resilient sub-sectors with high barriers to entry, strong underlying property fundamentals and low starting rents. They are let on very long-term leases to tenant counterparties that have demonstrated strong performance throughout previous economic cycles.

We are currently experiencing challenging external economic headwinds marked by market turbulence, political uncertainty, soaring inflation and rising interest rates. Notwithstanding this, we remain confident that the underlying characteristics of our substantial, defensive and carefully curated portfolio, supported by our proactive accretive recycling of capital and asset management strategies, will enable the Board and management team to continue to deliver outperformance. Our shareholders continue to benefit from the underlying strength and resilience provided by the Group's highly diversified, triple-net portfolio of secure real estate assets that are let on very long leases with sustainable rents, fixed debt costs and low operating costs. Our properties are strategically important to the operations of our broad range of institutional-quality tenant operators. Virtually all of our rent has inflation-protection, through indexed or fixed uplifts, providing us with substantial protection and the opportunity to generate rental growth in this highly inflationary environment.

Merger with SIR plc

On 11 May 2022, the Company announced the terms of the proposed Merger. Voting from respective shareholder groups demonstrated overwhelming support for the merger, which completed on 6 July 2022. This six-month reporting period includes only two full months of the results of the enlarged entity. The merger has been treated as an asset acquisition for accounting purposes rather than a business combination. Further detail of the accounting judgement can be found in Note 2 of this report.

The Merger has created the UK's leading diversified, long income REIT. The Group's substantial scale will enable it to benefit from significant growth opportunities within our portfolio and in the market. The Company has already begun to do so, with the innovative, earnings and NAV accretive 'income strip' transaction that the management team executed on certain portfolio assets previously of SIR plc.

The Group owns a portfolio of 348 properties that are 100% occupied with an aggregate valuation of £3.7bn at 30 September 2022, contracted annual rental income of £200.7m and a very long WAULT to first break of 26 years.

The Board expects the Company and its shareholders to benefit from significant synergies, including approximately £8.6m of potential annual administrative cost savings[1], with the combined Group anticipated to have one of the lowest cost bases in the UK listed real estate sector. We have already begun to see the positive impact of this on our income returns for this six-month period and the Board remains confident that the full year results, which will comprise eight full months of the combined business, will further demonstrate this benefit.

Since the Merger, the management team has continued to execute the complementary investment strategies employed by both LXi and SIR plc. This has included a focus on long income real estate, diversification, conservative leverage, and an active portfolio management strategy identifying opportunities to unlock further value for shareholders.

The Board and management team remain committed to a conservative medium-term LTV target of 30%. While the partial cash alternative for SIR plc shareholders resulted in increased leverage in the short term, transactions since then have seen management immediately reduce the Company's debt to a pro forma net LTV of 33% at 30 September 2022.

Following the Merger, the Group has further strengthened its shareholder alignment with the largest Board and management team stake of any UK REIT, totalling £140m (at 30 September 2022), Moreover, the investment advisory fees continue to be payable on the Company's market capitalisation. Following the Merger, the Group also introduced a new lower investment advisory fee tier, and incremental management fees are now charged at a modest 55 bps on that part of the Company's market capitalisation in excess of £2bn.

The Merger documents included a quantified financial benefit statement that set out the Directors' expectation that the Merger would deliver potential annual administrative cost efficiencies of approximately £8.6m

Results and dividends

Despite challenging market conditions and volatility in share prices and property values, the Company has delivered a resilient performance for the six months with a total accounting return of 0.1% (30 September 2021: 9.0%).

The Group's net assets increased by 88.3% to £2,448.2m in total, during the six-month period, driven predominantly by the share for share element of the Merger. On a per share basis, the Group's EPRA NTA contracted by 2.0% over the six months, primarily driven by:

- yield expansion across certain property sectors in the second quarter in response to wider economic conditions including net outflows for open ended funds and an increasing interest rate environment, offset materially by index-linked rental growth, delivering a like for like portfolio valuation change of -1.4% in the half-year; and
- the costs associated with the Company's merger with SIR plc, which totalled £35.3m and represented less than 1% of the combined portfolio value or 2.7 pence per share[1,2].

We are pleased that the total of our two quarterly dividends paid and declared in respect of the year of 3.15p per share, represents continued progress toward the 6.3p target that we set for the financial year[3].

1 *Combined independent valuations included in the public merger documents performed by Knight Frank in respect of LXi REIT plc and CBRE in respect of Secure Income REIT plc*

2 *These costs have been recognised as additions to investment property and expensed through the profit and loss account as a fair value movement in the period, in accordance with IFRS*

3 *These are targets and not profit forecasts*

Environmental, Social and Governance ("ESG")

ESG matters remain high on the Board's agenda and we recognise both the risks and the opportunities presented. We are pleased that the Investment Advisor's commitment to this area has facilitated both the appropriate focus on improving the ESG characteristics of the portfolio and the appropriate investment in specialist resource during the period.

Our ESG strategy is focussed on three key pillars:

1. Integration of ESG into the Company's investment policy - this has meant both uplifting our minimum requirements for the relevant criteria on asset acquisitions such as EPC ratings on built assets and BREAM ratings on forward fundings, as well as interrogating our portfolio evaluations to identify and capitalise on potential opportunities to improve further our existing portfolio. Both have contributed to the portfolio improvements outlined in the ESG section of the Company's Annual Report.
2. Charting a route map to a carbon neutral or net zero strategy - to date, this has involved categorising the Group's carbon output into relevant emission scopes (1, 2 and 3) and assessing the current level of emissions within scopes 1 and 2. We are fully committed to assessing our scope 3 emissions but recognise the challenge in data collection from such a broad range and large number of tenants. The Group is committed to setting a science-based target date by the publication of the next annual report, for the year ending 31 March 2023.
3. Improving stakeholder reporting -we have included the two disclosure frameworks that we committed to in the ESG section of the Company's 2022 Annual Report, the widely recognised EPRA sustainability measures and the 11 recommended disclosures under TCFD.

Our commitment to ESG reflects our wider commitment to good stewardship but also represents a great opportunity to identify asset management initiatives to unlock further value in the Group's portfolio as our tenants face the same pressures that we do, namely becoming more sustainable businesses and contributing positively to the move to a green economy.

The management team continues to invest in and to identify areas where the Company's portfolio could be better serviced, and the Board was pleased to welcome Barbora Melezinkova to the Company's management team as Head of ESG. Barbora is responsible for delivering on the ESG strategies detailed above.

Board changes

Following the Merger, the Board was delighted to welcome Nick Leslau and Sandy Gumm to the Board as Non-Executive Directors. They bring invaluable expertise and experience to the Board as well as intricate knowledge of the assets and debt portfolio of SIR plc.

On behalf of the Board and management team, I would like to express my deep thanks to Jan Etherden and Patty Dimond, both of whom stepped down as Directors, for their contributions to the growth and success of the Company since its IPO and for the strong legacy they leave.

The Board changes have also enhanced the Company's flexibility in managing succession planning allowing for a more staggered range of tenure among the Board. I very much look forward to continuing to work closely with the Board to help steward the business to further success and outperformance for our shareholders.

Outlook

The wider effects of the economic measures taken by the Government and Bank of England to bring inflation under control, and the expectation of poor economic growth in the near term have begun to impact property values in the UK. The most impacted sectors so far are those that had the tightest spread to the risk-free rate, such as industrial and logistics, and yield prints from transactional evidence show some further decline in values since September this year.

What is clear from the data available relating to long income property valuations over multiple cycles, is that correlation between property yields and debt rates is limited. Prime index property yields over the past 40 years have intersected the 10-year gilt rate at various times and the long lease sector has tended to be the most defensive sector of all, benefiting from a flight to safety as well as the income growth provided by index-linked rent reviews.

I take great comfort from the Board's collective experience through various other challenging economic environments, such as the Global Financial Crisis and the Covid-19 pandemic. This has provided us with significant insight on the potential impact of market developments on our portfolio.

The impact of inflation for the Group's rental income is positive, given the portfolio's rent review linkage to UK inflation (41% RPI, 23% CPI). We are, however, cognisant of the potential impact that current levels of inflation could have on the wider economy. This may also be an impact on the prospects of our tenant operators but they can be managed by the rent review caps to the mutual benefit of the Company and its tenants.

The Company has seen valuation yields expand 40 bps to 4.9% (31 March 2022: 4.5%), in the half-year. The indexation in the Group's portfolio has meant that, despite this yield expansion, like for like value change was offset materially, resulting in a -1.4% change in the year.

Implicit growth in the Group's income stream over the five years from October 2022, based on the RPI and CPI forward curves, means that on today's values the portfolio would be yielding 5.6% in September 2027, or that the blended NIY of our properties could expand a further 70 bps (all other things being equal) before having any impact on the value.

The Group has certain refinancing events over the coming 12 months, with the first in April 2023 (please refer to the Investment Advisor's report). The management team has numerous levers to pull in this regard given the very long, inflation protected leases within the portfolio secured to a wide range of strong tenants and the low LTV levels. They are currently evaluating and negotiating options for refinancing the near-term facility maturities. The Board remains highly confident in the Company's ability to refinance in a way that will protect the Group's assets and cash flows to continue to confident in the Company's ability to refinance in a way that will protect the Group's assets and cash flows to continue to deliver on our fully covered and progressive dividend policy.

It is clear that the current economic climate will begin to separate those real estate companies whose business model has been driven by arbitraging a low interest rate environment and passively benefiting from a tightening of long income yields, from those that generate value for shareholders through a strategy of active management of their underlying assets, quality and experience of their management team, scale and availability of capital.

Rising interest rates will put pressure on income returns over the medium to long term for all leveraged property investment companies, but the environment also provides buying opportunities. We are already seeing significant buying opportunities in the market from open-ended funds suffering net outflows and are finding tenants more amenable to value-add opportunities that we identify through our asset management strategies.

Capitalising on these opportunities will allow the Company to cement its appeal to investors by continuing to provide attractive risk adjusted returns against a challenging economic backdrop.

I thank both the Board and the management team for their continued work in the year. Going forward we remain focused on managing both the risks and opportunities that our portfolio presents. We remain highly confident on our ability to successfully capitalise on the growth opportunities that we continue to identify and on continuing to provide a secure and growing income return to our investors. This will enable us to continue to enhance and unlock sustainable value in our defensive, resilient portfolio for all our stakeholders.

Cyrus Ardalan
Chairman
23 November 2022

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 and were otherwise included in the Glossary of the Company's March 2022 Annual Report and in the Additional information section on page 104.

Portfolio overview

The Group's portfolio comprises 348 properties across 13 property sub-sectors with multiple underlying uses. Our assets are let on very long leases, to over 80 separate market leading tenant operators on low and sustainable rents.

The Group's lease arrangements provide contracted annual rent of £200.7m (inclusive of £0.6m that have exchanged but not completed) and have a weighted average term of 26 years to first tenant break, with 98% containing regular index-linked or fixed rental uplifts.

The portfolio is fully let and all leases require full repairing and insuring by the tenant, protecting the Group from property cost leakage and capital expenditure requirements.

The Group's property portfolio was independently valued at 30 September 2022 at £3,656.6m, excluding assets that had exchanged but not completed at the reporting date, representing a like for like change of -1.4% over the six-month period. The valuation reflects a blended net initial yield of 4.9% (31 March 2022: 4.5%).

The portfolio like for like change of -1.4% was driven by an outward yield shift of 40bps, significantly offset by 2.5% rental growth across the portfolio.

Sector exposures

The portfolio is very well-diversified by sub-sector and our multi-sector strategy gives downside protection and offers a broad universe of assets in which to deploy or recycle capital. The strategy allows portfolio weightings to be increased or reduced as appropriate to address changing risk and outlook, and to pivot toward sectors in which we expect the best returns for our shareholders.

The Group's main sector weightings (by contracted annual rent), including asset acquisitions for which contracts have exchanged but have not yet completed, are as follows:

Healthcare - 22%

The addition of 11 Ramsay private acute Hospitals and the Nightingale Psychiatric Hospital, Central London's only private psychiatric hospital, saw the sector weighting significantly increase from 8% to 22% immediately following the Merger. On a like for like basis healthcare values were down 0.1% for the half-year, with market movements largely offset by a 2.8% like for like increase in rents. The leases on the Ramsay hospitals are all guaranteed by Ramsay Health Care Limited, one of the top five private hospital operators in the world and the largest operator of private hospitals in Australia, France and Scandinavia.

The acute care market has seen good operating performance post pandemic particularly in the private pay markets with key operators reporting strong results. Ramsay have generally seen a below peer group recovery from Covid-19 owing to their focus on NHS contracting, which is yet to establish momentum post pandemic. However, Ramsay are well positioned to benefit significantly from anticipated NHS contracts to address the waiting lists that built up over the Covid-19 pandemic.

The healthcare property investment market is a sophisticated and efficiently priced sub-sector of the wider UK property universe and an attractive non-discretionary underlying use. Healthcare remains an active market, particularly for best-in-class real estate.

Budget hotels - 21%

The budget hotels sub-sector has continued to perform extremely well with both Travelodge and Premier Inn reporting operating KPIs well ahead of pre-pandemic levels for the current year.

This positive trading has resulted in strong investor sentiment in the sector over the period with recovery noted in the Travelodge hotel investment market. Transaction volumes during the period have not yielded in significant value growth and yields have broadly held flat.

Following the SIR plc merger, the sector weighting to hotels has increased from 13% to 21%. On a like for like basis hotel values were up 4.6% in the half-year, predominantly due to rental growth which contributed to 3.6% growth, with yields remaining flat.

Theme parks - 19%

The Theme Parks portfolio, consisting of four parks and two associated hotels, accounts for 19% of the portfolio by contracted rent and was acquired as part of the SIR plc merger. On a like for like basis values have moved positively with annual rental increases capped at 4% on the UK leases and the 3.34% fixed uplift in the Heide Park (Germany) leases.

During the half-year, the Group sold an 'income strip' for proceeds of £257m, representing 30% of the annual rental income receivable on the Thorpe Park and the Alton Towers Park and Hotel assets of £27.1m. The 'income strip' was structured as a sale of the freehold interest in these assets with the Group taking a 999-year leaseback, pursuant to which the Group pays an annual rent of £8.2m, which grows in line with the rental income received on the related assets. The freehold reverts to the Group after 65 years for a £1 nominal amount.

The Group therefore retains a net 70% of the rental income for the properties, along with the freehold and all reversionary value after 65 years. The properties are let to Merlin Attractions Operations Limited with 55 years unexpired until first break, with a 35 year tenant option to extend on expiry.

The sale generated an attractive net initial yield of 2.96% (with the previous book value of the freehold interest reflecting a 4.25% net initial yield on passing rent). After the half-year, following completion, the Group used the sale proceeds to fully repay the outstanding £232m debt on the Merlin A facility.

The capped cost of this debt was 4.95% per annum (1.5% SONIA strike rate), and thus in repaying it with the sale proceeds, the Company has created a material level of earnings accretion. The debt repayment reduced the Company's pro forma net LTV from 37% to 33%, in line with the Company's aim of returning to a medium-term LTV target of 30%.

Merlin, the tenant of the UK attractions and the operator of the German park and hotel, has reported strong trading performance in the UK in their half-year review with robust consumer demand and elevated revenues per visitor. All UK seasonal attractions were able to open as planned and have not been affected by Covid-19 related restrictions in the period. The leases are guaranteed by Merlin Entertainments Limited, which owns all of Merlin's operating businesses worldwide. The company operates over 140 attractions in 24 countries and has the benefit of all of Merlin's global operations including leading brands such as Sea Life Centres and Legoland Parks. Measured by the number of visitors, Merlin is Europe's largest and the world's second largest operator of leisure attractions, second only to Disney.

Foodstores - 9%

Valuations for foodstores have been challenged, delivering a like for like valuation decline of 8.4% in the half-year, having been slightly offset by 0.4% like for like rental growth.

There remains liquidity in the sector particularly given the main positives of strong and established tenant operators and non-discretionary and defensive long-term use. Investors are always expected to see the sector as a safe haven particularly where properties have a very long lease and indexation.

Industrial - 7%

Industrial asset valuations have seen a like for like reduction in the half-year of 12.5%, predominantly due to yields widening as a result of the repricing and availability of debt in the sector, with no movement in like for like rents.

The Group's industrial assets continue to be underpinned by their strategic (often mission-critical) importance to the occupiers for fulfilment of their operations. Occupier demand continues to drive up market rents, resulting in under renting in the portfolio, which should mean that yields are less sensitive from passing levels set within the last five years.

As many of the rent reviews are capped inflationary uplifts, the Group's rents remain affordable for occupiers and the vacant possession value is close to or sometimes in excess of current valuation given the low level of rent being capitalised in the valuation.

Pubs - 4%

Following the addition of 17 pubs in the SIR plc portfolio, all of which are long let to highly established operators, the sector weighting to pubs increased from 3% to 4%. Like for like values saw a marginal fall of 0.7% with no like for like rental growth.

Operationally, Greene King and Stonegate have reported resilient sales revenues and remain market leading operators, but the pub sector continues to face headwinds from inflationary pressures on food, energy, and wage costs.

There has been very limited comparable transactional evidence in the property investment market, partly due to an absence of long-let assets with indexed leases within the sector.

*Manchester Arena (the "**Arena**") - 4%*

The Arena exposure incorporates the Manchester AO Arena (59%), Arena Point offices (5%), Martin House offices and leisure space (22%) as well as ancillary advertising, car parking and naming rights revenue (14%).

The tenant, SMG Europe Holdings Limited ("**SMG**") is progressing with comprehensive upgrades of the Arena, increasing capacity from 21,000 to 24,000 to retain its status as Europe's largest indoor arena, introducing several premium hospitality areas and creating a new primary entrance off Trinity Way. SMG has publicly referred to £50m of upgrades. Works commenced in July 2022 and are due to complete by March 2023. The Arena will remain operational throughout.

Yields have softened marginally across the tenants at the Arena offsetting the 5% capped indexed annual uplift in the SMG rent contributing to 3.3% like for like rental growth to leave values in the sub-sector down 1.6% in the period.

Acquisitions and disposals

During the half-year, as part of the Merger, the Group acquired 160 investment property assets. The transaction has been treated as an asset acquisition in line with IFRS 3 guidance and all related costs were capitalised as additions to investment property. In addition, the Group acquired the following assets during the period:

- An Asda foodstore in Halesowen, Birmingham with a 22-year unexpired lease term and five yearly fixed uplifts of 3% per annum compounded;
- a sale and leaseback acquisition of a Dobbies garden centre in Reading with a 35-year unexpired lease term from build completion and annual CPI +1% linked uplifts;
- a pre-let forward funding of a nursery school in Surrey with a 25-year unexpired lease term from build completion and five-yearly CPI linked uplifts; and
- a pre-let forward funding of a Costa Coffee drive-thru asset in Kendal with a 15-year unbroken lease term and five-yearly RPI linked uplifts.

The Group regularly recycles capital to crystalise profits, refresh the portfolio and manage exposures. During the half-year, the Group disposed of:

- a Premier Inn and connected retail park in Saffron Walden for £19.3m, which crystalised a 19% geared IRR; and
- unconditionally exchanged contracts to sell the Merlin 'income strip' referred to under the Theme Parks section of this report (completed in October 2022).

Asset management

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

- the Group achieved Practical Completion of four of its pre-let forward funding projects; a Premier Inn in Worksop, an Aldi anchored-scheme in Berwick upon Tweed, a Costa in Bromsgrove and a Premier Inn in Porthmadog;
- the Group has identified eight of its sites where substantial solar panel arrays can be installed. Terms have been agreed with the tenants at five of the sites for the Group to fund the construction of the panels and the tenants will acquire the electricity generated. It is expected the panels will generate 2.2MWh. It is expected the income generated will be earnings accretive. Negotiations are ongoing at the remaining three sites; and
- the Group has instructed solicitors on a further three sites with Fastned to install EV car charging points.

Inflation and rent reviews

Since the reopening of the UK economy after pandemic lockdowns, inflation has picked up significantly, CPI annual growth averaged 10.1% and RPI annual growth averaged 12.6% for the half-year to September 2022. The Group's 97 contracted rental uplifts in the period were broadly capped or fixed and delivered average growth of 3.7% pa, resulting in like for like rental growth of 2.5%.

The Group's portfolio income is 98% index-linked or contains fixed rental uplifts, which breaks down between RPI 41%, CPI 23% and fixed 34%. The Group's fixed uplifts average 2.7% pa. Of the Group's portfolio, 40% of the rents are subject to collared uplifts, which average 1.3% pa and 44% are subject to capped uplifts, which average 3.8% pa. We therefore expect the Group to capture the vast majority of inflation over the medium-term, but the Group is also well protected against lower inflationary periods.

The portfolio's rent reviews are either on annual (57%) or five-yearly (43%) cycles, and over the following five year period the Group expects the following percentage of rental income to review in each financial year:

Year ending 31 March	**Annual**	**Five-yearly**	**Total**
2023	57%	8%	65%
2024	57%	5%	62%
2025	57%	5%	62%
2026	57%	11%	68%
2027	57%	10%	67%

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

The possibility for continued higher inflation represents an opportunity for the Company to generate superior returns for investors, given the inflation linkage in the Group's portfolio rent reviews and the long-term lease arrangements. That said, levels of inflation that are currently being experienced in the UK could, over the longer-term, cause rents in the portfolio to grow to the point where they materially exceed equivalent market rental values, as well as potentially resulting in unsustainable rental growth for tenants or in properties made less attractive to alternative operators due to profit erosion.

The portfolio is protected from this risk in a number of ways, including

(i) capped and fixed rental uplifts giving the tenant (and the Group) certainty of rental growth profile,

(ii) regularly entering brand new leases at very low rents through forward fundings and sale and leaseback that provide a higher level of rent cover and are therefore better able to withstand rental growth,

(iii) constant recycling of capital into new assets to refresh the portfolio and maintain a low spread to market rents, and

(iv) focussing on well capitalised tenants with a high proportion of freehold ownership and lower exposure to rents that are better able to ride out such inflationary periods.

Financial results

Total accounting return

	30 Sep 2022	30 Sep 2021
Half-year total accounting return	**0.1%**	9.0%

The Group's total accounting return comprises income, through dividends paid to 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 2022	31 Mar 2022
EPRA NTA per share (ex-dividend)	**139.7p**	142.6p

During the six-months, the EPRA NTA contracted 2.0%, broadly reflecting the outward shift in valuations during the six-month period, compounded slightly by the Group's leverage.

Dividend per share

	30 Sep 2022	30 Sep 2021
Half-year dividend per share	**3.15p**	3.0p

In respect of the half-year, the Company has proposed dividends totalling 3.15p per share. The dividend per share reflects an increase of 5% on the previous half-year.

Total expense ratio

	30 Sep 2022	30 Sep 2021

Total expense ratio (annualised)	**0.9%**	1.0%

Following the successful merger with Secure Income REIT plc, a new lower investment advisory fee tier was introduced, and incremental management fees are now charged at a modest 55 bps (on market capitalisation above £2bn). The reported TER includes only 85 days of the enlarged Group post-merger and we expect the efficiencies of scale achieved to be demonstrated through further reductions in the total expense ratio in the full year and in years ahead.

Loan to value

	30 Sep 2022	30 Sep 2021
Pro forma net LTV	**33%**	25%

Pro forma net LTV is stated after adjusting the value of investment properties (the denominator) for the acquisition price of properties that have exchanged but not completed and for costs to complete forward funded assets and net debt (the numerator) for the acquisition price of properties that have exchanged but not completed plus associated acquisition costs and for costs to complete forward funded assets.

In the medium-term, in line with our conservative leverage policy, our LTV is expected to be maintained at approximately 30%. Current pro forma net LTV provides significant headroom to the Group's borrowing policy cap of 40%.

Specific facility LTV is outlined below also showing the headroom between actual LTV and default LTV. At 30 September 2022 there were £492m of unencumbered assets, including assets under construction. The pro forma net LTV and the below table exclude the Merlin A Facility of which repayment was unconditionally committed at 30 September 2022.

Facility	**Lead lender**	**Asset value 30 Sep 2022**	**LTV at 30 Sep 2022**	**Default LTV limit**	**Tolerable variance in value**[1]
Cross collateralised term loans	Scottish Widows	£567.2m	30%	50%	40%
RCF	Lloyds and RBSi	£457.5m	36%	50%	28%
Merlin B Facility	Blackstone	£629.9m	9%	n/a	n/a
Budget hotels 1	M&G	£229.7m	26%	50%	49%
Budget hotels 2	M&G	£228.7m	29%	50%	43%
Leisure facility	HSBC	£186.3m	32%	50%	36%
Healthcare 1	L&G	£164.8m	38%	80%	52%
Healthcare 2	AIG	£701.1m	42%	79%	47%
Unencumbered		£491.5m			
Total		**£3,656.6m**			

1 Reduction in value required to breach LTV default covenant from 30 September 2022 independent valuation

A number of the Group's facilities also require testing of interest cover ratio ("**ICR**") and debt service cover ratio ("**DSCR**") covenants in order to ensure the ability of the Group to meet its interest payments. The Group has significant headroom on all of these covenants, the tightest ICR covenant requiring a 40% loss of rent before breach.

Financing

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

A summary of the facilities, including facilities repaid post period end is included below:

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
RCF	Lloyds Bank and RBSi	£165.0m	2.95%	Aug 2024
New facilities in the period				
Acquisition facility	Barclays and HSBC	£385.0m	4.81%[1]	May 2024[2]
Merlin B Facility	Blackstone	£54.6m[3]	4.95%	Mar 2026[2]
Budget hotels 1	M&G	£59.0m	2.71%	Oct 2023
Budget hotels 2	M&G	£65.4m	3.35%	Apr 2023

Leisure facility	HSBC	£60.0m	3.20%	Jun 2023
Healthcare 1	L&G	£63.4m	4.29%	Sep 2025
Healthcare 2	AIG	£294.9m	5.30%	Oct 2025
		£1,317.2m	**4.2%**	**3.2 years**
Facilities repaid post period end				
Merlin A facility	Blackstone	£232.0m	4.95%	Mar 2026[2]

After the half-year, the Group fully repaid the Merlin A facility with the proceeds from the Merlin 'income strip' sale. Following the repayment of this facility, the weighted average fixed or capped interest cost across all remaining facilities is 4.2% pa with a weighted average term to maturity of 3.2 years. Detail about refinancing plans is provided below in the Outlook section.

The Group manages interest rate risk by either fixing (by way of fixed rate facilities or swapping floating rates) or capping rates. Fixing the rate of interest on these facilities gives the Group long-term certainty over its ability to generate significant growth in the generation of free cash flows as a result of largely collared index-linked and fixed rental uplifts, and the positive effects of conservative leverage. The Group monitors the headroom on ICR covenants regularly and at present reports significant headroom on all facilities.

The Investment Advisor and Board are actively considering and negotiating options for refinancing the near-term facility maturities. Our consideration focusses on what timing and structure of a refinancing arrangement would provide maximum downside protection on financial covenants, accretion of earnings, maintenance of borrowings within the Company's conservative borrowing policy and operational flexibility.

The balance sheet is well positioned with pro forma net LTV of 33%. As referred to above, our tightest covenant across the Group's secured facilities would require a 28% reduction in value to breach and the Group has significant unsecured assets and cash to use if required before any remedial action is taken.

The LTV within the Group also provides a wider range of refinancing options in respect of the facilities that fall due in the near term. There remain opportunities to find attractive leverage terms through, for example, 'income strip' sales such as the one that the Group executed during the period. The Investment Advisor is confident in the Company's ability to refinance in a way that will protect the Group's assets and cash flows and continue to provide attractive returns to shareholders.

Of course, in an environment where debt yields are wider than equity yields, it makes sense to strategically dispose of assets to reduce the debt stack and near term refinancing events provide an opportunity to do that. The Investment Advisor continues to receive significant unsolicited interest in the Company's high quality portfolio both for disposals and 'income strip' sale opportunities and expects to continue to selectively sell assets where capital could be better allocated to enhance shareholder returns.

1 Capped interest rate of acquisition facility based on average margin over first 12-months of the term beginning 11 May 2022 of 1.81% and a 300 bp strike rate on 3-month SONIA

2 Assumes extension options are exercised

3 Loan principal is in Euros hedging the NAV and income exposure to Euro through the German asset. Translated to GBP at a rate of 0.88 to the EUR

Outlook

The UK's economic outlook suggests significant headwinds with downgrades on growth forecasts and high and growing levels of inflation continuing into 2023. Central banks across the world are expected to continue to increase interest rates to levels not seen since before the Global Financial Crisis. A sharp spike in the Gilt rate toward the end of the period saw a rebasing of share prices across the UK listed property market as capital flowed out of the sector.

Share prices of UK listed property companies have stabilised since the period end but the sector remains deeply discounted to latest asset values suggesting investors require a higher rate of return from property companies, and/or are forecasting downgrades in income returns as well as valuations.

Although UK property values and in particular the inflation-protected long income sector, have not traditionally correlated with the cost of debt, a mass capital outflow from long income funds leading to fire sales and the impact of debt costs on required investor returns has had a significant impact on property valuations. Where values stabilise has yet to be seen, the sector is much better placed to deal with the challenging economic climate than it was in 2008 with materially lower levels of gearing.

The open-ended funds continue to struggle to deal with net outflows and this forces disposals and may have a ripple effect across the market, but this can present an opportunity to the Company, as well as a challenge.

Our priority is for the Group to own profitable assets that are attractive to shareholders in sub-sectors with the most positive and stable outlook. In doing so, the Group can continue to provide sustainable inflation-protected income returns and capital growth to its shareholders. Our strategies of moving in and out of sub-sectors, financing tenant growth ambitions through sale and leasebacks and forward funding pre-let developments to provide a platform with significant opportunities, that we are confident will continue to deliver attractive returns over the longer term. This is in sharp contrast to the wider property market where single sector focus means that capital recycling is often unappealing and capital returns are sector correlated and are often reliant on single sector yield compression for growth.

In these challenging times, our focus remains to:

- execute an attractive refinancing plan that will push out maturities and underpin the Company's long-term progressive dividend policy and capital preservation and growth
- 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 to improve balance sheet strength and protect progressive income returns

In addition, market uncertainty, in particular in an economy where significant property asset value is still held in liquid open-ended fund structures, will potentially present buying opportunities. Change also often sees the emergence of new sub-sectors. We remain confident that our defensive strategy is well placed to deliver attractive risk adjusted income and capital returns to shareholders.

For and on behalf of the Investment Advisor

Simon Lee	**Frederick Brooks**
Director	Director
LXi REIT Advisors	LXi REIT Advisors
23 November 2022	23 November 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Statement

The Company is committed to integrating environmental sustainability and social impact matters into its strategy and to continually enhancing its approach.

The Board of Directors and the Investment Advisor recognise that many of the company's stakeholders both share and benefit from this. We therefore seek to execute our investment strategy whilst contributing positively to the environment and society and maintaining the highest standards of governance.

Governance

The Company's investment activities are overseen by the Company's non-executive Board of Directors. The Investment Advisor and the Board work together to ensure proper execution of the Company's investment strategies, consistent application of policies, compliance with procedures and compliance with local and regional regulatory requirements.

The Group has a mature structure of governance, compliant with the AIC Code of Corporate Governance, which is detailed in the Group's Annual Report. The Group's governance complies with its enhanced ESG policy adopted in 2021.

In this half-year, the Investment Advisor appointed Barbora Melezinkova as Head of ESG as it continues to accelerate its environmental sustainability and social impact agenda. Barbora will lead on all ESG matters and has joined from Legal & General Investment Management ('LGIM'), where she was the ESG Lead on LGIM's long income property funds.

Key decisions and relationships with stakeholders

Each year, the Group is required under section 172(1) of the Companies Act 2006 to report on how it considered the wider stakeholder needs in its key decisions. The key stakeholders are considered to be shareholders, tenant operators, service providers, employees, lenders, wider society and the environment. Further information on stakeholder assessment (which is unchanged in the half-year) is given in the Group's 2022 Annual Report on pages 33 and 34.

The Board considered the July Merger, further detail of which is covered within the main report, the most fundamental decision of this half-year period. The 160 new assets brought into the portfolio as a result present further opportunity for LXi to invest into decarbonisation initiatives and improve UK's existing built environment stock.

Environmental

The Climate Risk Working Group ("CRWG"), formed in 2021 and comprising members of the Board of Directors and the Investment Advisor, set the following three longer term goals for the Group:

1. Integrate climate-related matters into our investment process
2. Map a route to a net neutral target for the business
3. Improve investor reporting

An interim update on progress against these three key goals is detailed below.

1. *Integration of the enhanced ESG policy*

   Our investment process is being aligned to our enhanced ESG policy through a standing agenda item at quarterly Board meetings, where the CRWG reports updates on ongoing initiatives and compliance with the policy, covering both due diligence on new acquisitions and asset management across the existing portfolio.

   New acquisitions:

   - Investment Committee: During the period, the Investment Advisor formed a new formal Property Investment Committee and while ESG considerations have already formed a key component of transactional due diligence for some time, enhanced scrutiny by the IC will further solidify the integration of these considerations into everyday practice and facilitate a widening scope of ESG due diligence requirements over time
   - Forward-funded developments: The Company expects new buildings to meet high standards of environmental performance and to promote the health and well-being of both the building occupiers and the wider community. We target for new buildings to have a BREEAM rating of at least "Very Good".

   Existing assets:

   - Renewable energy tariffs: The remainder of landlord-controlled areas in the portfolio, previously tied into long-term contracts, have now been switched over to renewable energy providers, resulting in all landlord-controlled areas now being supplied through green energy suppliers
   - Decarbonisation of assets: In addition to the EPC improvement reports focused on new acquisitions and assets with the poorest energy efficiency, now in place for 11% of assets by passing rent, more detailed Net Zero Carbon roadmap audits have been instructed across an initial batch of seven assets in the portfolio accounting for a further 3% of the total September rent roll, selected based on a combination of factors including current energy efficiency, size of asset, expected feasibility of implementation and ability to move the dial on the portfolio as a whole. The next step will be to assess the viability of implementation of the decarbonisation recommendations, in close collaboration with our occupiers, and to use this pilot exercise to inform a strategy for a potential delivery of decarbonisation roadmaps across the rest of the portfolio.
   - Asset management initiatives:

     Car charging: two sites currently in solicitors' hands

     Solar panel installation: three deals to fund solar PV installation are currently in solicitors' hands. These initiatives will generate a return on investment as well as significant savings for the occupiers; more detail is included in the Asset Management section of the Interim Report. Heads of Terms to fund PVs are in circulation across two additional properties, and initial discussions have also been had about PV funding opportunities across a further three tenant organisations
   - Biodiversity pilot: A proposal for a biodiversity enhancement strategy has been delivered for the Columbus Quarter retail scheme in Andover. Implementation stage of this pilot is planned for Q1-23, subject to viability
   - Occupier engagement: We continue to proactively build relationships with senior management personnel at our occupier organisations specifically responsible for energy management and ESG strategy, in order to align our respective environmental sustainability and social impact agendas and seek out opportunities to collaborate on implementation of initiatives, including the decarbonisation of buildings
   - EPC ratings: While the position within the original LXi portfolio remains broadly unchanged since the March report, we are currently in the process of compiling EPC ratings across all 160 assets brought into the portfolio from SIR plc. At a high level, approximately 87% of the incoming properties now have an EPC rating. Of those with a rating in place, 45% of units are rated C or above, 37% are Ds and 18% are E or below. Our focus will initially be on improvements to the properties rated D and below and prioritising lowest ratings first, in line with the existing approach.

2. *Mapping the route to an environmental target for the business*

   The Company is on track to establish a decarbonisation roadmap for the portfolio, which will be set out in full in the next annual report to March 2023.

3. *Improve investor reporting*

   Task Force on Climate-related Financial Disclosures ("TCFD"): Since March 2022, the Group's annual ESG reports are now disclosing against all 11 recommendations of the TCFD.

EPRA sBPR rating: LXi was assessed on its disclosure of performance measures and compliance to the overarching recommendations of the EPRA sBPR rating framework. The 2022 assessment achieved a vastly improved score compared to the 2021 disclosure (a 40-point improvement out of 100), signalling a very positive advancement trajectory in this area of reporting.

ESG reporting dashboard: in order to better quantify progress on ESG matters, an ESG reporting dashboard is currently being developed for the portfolio. We will use this to more precisely track ESG KPIs, improvements and initiatives.

Social

Charity involvement

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

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

Forward funded developments

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

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

People and culture

The Company is committed to diversity and inclusion and our aspiration is to have a Board and key service providers that are representative of society and our wider stakeholder groups. Following the retirement of two female Board members, the Board now comprises four male and two female Directors and the Investment Advisor comprise 50% male and 50% female employees.

PROPERTY PORTFOLIO

Tenant group	**Contracted rent**	**Rental exposure**
Merlin Entertainment	£37.9m	19%
Ramsay Healthcare	£36.3m	18%
Travelodge	£35.9m	18%
Q-Park	£4.4m	2%
SMG Arena	£4.4m	2%
Bombardier	£4.1m	2%
The Brewery	£3.8m	2%
Sainsburys	£3.5m	2%
Compass	£3.4m	2%
Asda	£3.2m	2%
Dobbies Garden Centres	£3.2m	2%
Capita	£2.9m	1%
Greene King	£2.6m	1%
Premier Inn	£2.6m	1%
Co-op	£2.5m	1%
Other tenants	£49.9m	25%
Total	**£200.7m**	**100%**

Sector	**Contracted rent**	**Rental exposure**
Healthcare	£45.1m	22%
Budget hotels	£41.7m	21%
Theme parks	£37.9m	19%
Foodstores	£18.9m	9%

Industrial	£14.3m	7%
Pubs	£8.7m	4%
Arena	£7.0m	4%
Car parks	£4.4m	2%
Garden centres	£3.2m	2%
Life sciences	£2.9m	1%
Drive-thru coffee	£2.8m	1%
Education	£2.2m	1%
Other	£11.5m	7%
Total	**£200.7m**	**100%**

1 ERVs of assets that had exchanged but not completed at the reported date are assumed to be let at market rents

Rental uplifts	**Contracted rent**	**Rental exposure**
RPI linked	£81.9m	41%
CPI linked	£45.1m	23%
Fixed uplifts	£69.1m	34%
Open market	£4.5m	2%
Total	**£200.7m**	**100%**

Unexpired lease term to first break	**Contracted rent**	**Rental exposure**
20-years+	£100.7m	50%
More than 14-years, fewer than 19-years	£86.7m	43%
More than 9-years, fewer than 14-years	£11.6m	6%
More than 5-years, fewer than 9-years	£0.9m	0%
Fewer than 5-years	£2.6m	1%
Total	**£200.7m**	**100%**

Location	**Contracted rent**	**Rental exposure**
South East	£41.9m	21%
West Midlands	£34.5m	17%
East of England	£29.8m	15%
North West	£23.5m	12%
Yorkshire and the Humber	£17.1m	8%
Scotland	£13.6m	7%
South West	£12.6m	6%
North East	£8.7m	4%
East Midlands	£7.9m	4%
Germany	£7.4m	4%
Wales	£2.6m	1%
Northern Ireland	£1.2m	1%
Total	**£200.7m**	**100%**

KEY PERFORMANCE INDICATORS

Our objective is to deliver attractive, low risk returns to shareholders, by executing our investment policy. Set out below are the key performance indicators ("**KPIs**") we use to track our performance. Comparative averages since IPO are stated to 31 March 2022.

KPI and definition	**Relevance to strategy**	**Performance**	
		30 September 2022	Comparative periods
1. Total accounting return	Total accounting return measures the ultimate outcome of our	**0.1%**	18.2% (year ended 31 March

Total accounting 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.	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.		ended 31 March 2022) 9% (half-year ended 30 September 2021)
Average compounded annual total accounting return since IPO		***10.1%***	*11.4%*
2. Dividend per share Dividends paid to shareholders and proposed in relation to a period.	The dividend reflects our ability to deliver a low risk but growing income stream from our portfolio and is a key element of our total accounting return.	**3.15p**	6.00p (year ended 31 March 2022) 3.0p (half-year ended 30 September 2021)
Average compounded annual dividend growth since IPO		***5%***	*5%*
3. EPRA Net Tangible Assets ("NTA") (ex-dividend) 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 NAV reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.	**139.7p**	142.6p (at 31 March 2022) 134.0p (at 30 September 2021)
Average compounded EPRA NTA growth since IPO		***6.5%***	*7.6%*
4. Pro forma net loan to value The proportion of our total assets that is funded by borrowings. Our medium-term target LTV is 30%.	The LTV measures the prudence of our financing strategy, balancing the additional returns and portfolio diversification that come with using debt against the need to successfully manage risk.	**33%**	22% (at 31 March 2022) 25% (at 30 September 2021)
5. Adjusted earnings per share Post-tax Adjusted earnings per share attributable to shareholders, which includes the licence fee receivable on our forward funded development assets treated under IFRS as discounts to investment property acquisitions.	The Adjusted earnings per share reflects our ability to generate income from our portfolio, which ultimately underpins our dividend payments. A reconciliation of Adjusted earnings is included in Note 24 to the consolidated financial statements.	**4.0p**	7.0p (year ended 31 March 2022) 3.5p (half-year ended 30 September 2021)
6. Total expense ratio The ratio of total operating expenses, including management fees expressed as a percentage of the average net asset value. The measure is annualised for half-year periods by multiplying the operating expenses by two.	The total expense ratio is a key measure of our operational excellence. Maintaining a low cost base supports our ability to pay dividends.	**0.9%**	1.0% (year ended 31 March 2022) 1.0% (half-year ended 30 September 2021)
7. Weighted average unexpired lease term The average unexpired lease term of the property portfolio weighted by annual passing rents. Our target WAULT is a minimum of 20 years.	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security and predictability of our income stream.	**26 years**	21 years (at 31 March 2022) 23 years (at 30 September 2021)
8. Percentage of contracted rents index-linked or fixed This takes the total value of	This measures the extent to which we are investing in line with our investment objective, to provide inflation-linked returns.	**98%**	96% (at 31 March 2022) 96% (at 30

contracted rents that contain rent reviews linked to inflation or fixed uplifts.	inflation-linked returns.		September 2021)

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 24 and 25 to the consolidated financial statements respectively. Reconciliations of other EPRA performance measures in the Notes to the EPRA and alternative performance measures further below.

Measure and Definition	**Purpose**	**Performance**	
		30 September 2022	Comparative periods
1. EPRA Earnings Per Share	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	**3.6p**	6.1p (at 31 March 2022) 2.8p (at 30 September 2021)
2a. EPRA Net Tangible Assets ("NTA") **2b. EPRA Net Tangible Assets ("NTA") (ex-dividend)**	Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	**141.3p** **139.7p (ex-dividend)**	142.6p (at 31 March 2022) 135.5p (at 30 September 2021)
3. EPRA Net Reinstatement Value ("NRV")	Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	**156.3p**	153.7p (at 31 March 2022) 142.5p (at 30 September 2021)
4. EPRA Net Disposal Value ("NDV")	Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	**138.6p**	143.7p (at 31 March 2022) 133.6p (at 30 September 2021)
5. EPRA Net Initial Yield ("NIY")	EPRA NIY is annualised net rents on investment properties as a percentage of the investment property valuation, less purchaser's costs.	**5.2%**	4.5% (at 31 March 2022) 4.8% (at 30 September 2021)
6. EPRA 'Topped-Up' NIY	The 'topped-up' measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents). Note under IFRS stepped rents and collared uplifts are treated as lease incentives and as such are factored into the top up.	**8.4%**	6.6% (at 31 March 2022) 7.2% (at 30 September 2021)
7. EPRA Vacancy	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	**0%**	0% (at 31 March 2022) 0% (at 30

			September 2021)
8. EPRA Cost Ratio (including and excluding voids)	A key measure to enable meaningful measurement of the changes in a company's operating costs.	**12.6%**	15.9% (at 31 March 2022) 17.3% (at 30 September 2021)
9. EPRA LTV	A key (shareholder-gearing) metric to determine the percentage of net debt comparing to the appraised value of the properties	**30%**	13% (at 31 March 2022) 20% (at 30 September 2021)

PRINCIPAL RISKS AND UNCERTAINTIES

The Audit Committee, which assists the Board with its responsibilities for managing risk, regularly considers changes to the principal risks and uncertainties of the Group. Following those presented on page 35 of the 31 March 2022 Annual Report, the following risks are no longer deemed principal risks of the Group but remain on the internal risk register:

- Covid-19 global pandemic
- Competition for properties
- REIT status

The following risks have been added as principal risks in the period:

- Ability to access attractive debt capital for refinancing

Global and local political and economic uncertainty has resulted in a repricing of risk and in some parts of the market a reduction in the availability of debt capital. Furthermore, the UK is currently experiencing high levels of inflation and the Bank of England has responded by multiple successive interest rate increases, contributing to an increasing cost of debt finance. The current weighted average term to maturity of the Group's debt is 3.2 years and the Group has certain staged refinancing events over the coming 12 months beginning in April 2023. This presents a risk to the Group of refinancing upcoming maturing debt on attractive terms. The Investment Advisor and Board regularly review the Group's financing arrangements and considers options for refinancing. There remain opportunities to find attractive leverage terms through for example inflation linked debt, hybrid debt/equity products and 'income strip' sales such as the Group executed during the period in addition to more conventional debt financing which still remains available. The Board is confident in the Company's ability to refinance in a way that will protect the Group's assets and cash flows and continue to provide attractive returns to shareholders.

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 20 to the condensed consolidated financial statements.

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

For and on behalf of the Board

Cyrus Ardalan
Chairman
23 November 2022

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 2022 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 2022 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes.

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.

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
23 November 2022

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 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Rental income	4	**75.5**	**25.4**	**58.5**

Administrative and other expenses	5	(9.5)	(4.4)	(9.3)
Operating profit before change in fair value and gain on disposal of investment property		**66.0**	**21.0**	**49.2**
Change in fair value of investment property	8	(80.3)	55.5	117.7
Loss on disposal of investment property	8	(0.1)	-	-
Change in fair value of financial instruments		25.0	0.1	1.2
Operating profit		**10.6**	**76.6**	**168.1**
Finance income		0.1	-	-
Finance costs	6	(17.6)	(3.0)	(6.8)
Loss on extinguishment of debt	6	(20.6)	-	-
(Loss)/profit before tax		**(27.5)**	**73.6**	**161.3**
Taxation	7	(1.7)	0.7	0.7
(Loss)/profit for the period		**(29.2)**	**74.3**	**162.0**
Other comprehensive income				
Currency translation gain		1.7	-	-
Total comprehensive (loss)/income attributable to shareholders		**(27.5)**	**74.3**	**162.0**
(Loss)/Earnings per share - basic and diluted	24	**(2.3)p**	**11.3p**	**22.8p**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Non-current assets				
Investment property	8	3,911.3	1,171.4	1,480.1
Fixed assets		0.2	-	-
Total non-current assets		**3,911.5**	**1,171.4**	**1,480.1**
Current assets				
Trade and other receivables	11	11.3	10.0	19.4
Amount receivable from 'income strip' sale	11	257.0	-	-
Assets held for sale	9	-	20.7	19.0
Deferred acquisition costs		0.1	0.4	0.7
Derivative financial instruments		39.8	0.1	1.2
Restricted cash	12	19.0	4.0	-
Cash and cash equivalents	12	95.3	20.6	72.5
Total current assets		**422.5**	**55.8**	**112.8**
Total assets		**4,334.0**	**1,227.2**	**1,592.9**
Current liabilities				
Trade and other payables	13	112.2	23.2	38.6
Other financial liabilities	13	8.2	-	-
Bank borrowings	14	739.8	-	-
Current tax payable	13	0.9	-	-
Total current liabilities		**861.1**	**23.2**	**38.6**
Non-current liabilities				
Bank borrowings	14	727.2	243.5	240.0

Leasehold liabilities	13	36.4	12.0	13.6
Other financial liabilities	13	248.8	-	-
Deferred tax	7	12.3	-	-
Total non-current liabilities		**1,024.7**	**255.5**	**253.6**
Total liabilities		**1,885.8**	**278.7**	**292.2**
Net assets		**2,448.2**	**948.5**	**1,300.7**
Equity				
Share capital	15	17.1	7.0	9.1
Share premium reserve	16	2,120.6	645.5	940.0
Other reserves		9.1	53.1	21.0
Retained earnings		301.4	242.9	330.6
Total equity		**2,448.2**	**948.5**	**1,300.7**
Net asset value per share - basic and diluted	25	**142.8p**	**135.5p**	**142.7p**
EPRA NTA per share	25	**141.3p**	**135.5p**	**142.6p**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year ended 30 September 2022	**Note**	**Share capital £m**	**Share premium reserve £m**	**Other reserves[1] £m**	**Retained earnings £m**	**Total equity £m**
Balance at 1 April 2022		**9.1**	**940.0**	**21.0**	**330.6**	**1,300.7**
Loss for the period		-	-	-	(29.2)	(29.2)
Other comprehensive income		-	-	1.7	-	1.7
Transactions with owners						
Issue of ordinary shares in the year	15,16	8.0	1,180.6	-	-	1,188.6
Share issue costs	16	-	-	-	-	-
Dividends paid in the period	17	-	-	(13.6)	-	(13.6)
Balance at 30 September 2022		**17.1**	**2,120.6**	**9.1**	**301.4**	**2,448.2**

1 Other reserves includes the capital reduction reserve and the foreign exchange reserve

Half-year ended 30 September 2021	**Note**	**Share capital £m**	**Share premium reserve £m**	**Other reserves £m**	**Retained earnings £m**	**Total equity £m**
Balance at 1 April 2021		**6.2**	**544.5**	**62.1**	**168.6**	**781.4**
Profit and total comprehensive income attributable to shareholders		-	-	-	74.3	74.3
Transactions with owners						
Issue of ordinary shares in the year	15,16	0.8	102.9	-	-	103.7
Share issue costs	16	-	(1.9)	-	-	(1.9)
Dividends paid in the period	17	-	-	(9.0)	-	(9.0)

Balance at 30 September 2021		7.0	645.5	53.1	242.9	948.5

Year ended 31 March 2022	Note	Share capital £m	Share premium reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 April 2021		**6.2**	**544.5**	**62.1**	**168.6**	**781.4**
Profit and total comprehensive income attributable to shareholders		-	-	-	162.0	162.0
Transactions with owners						
Issue of ordinary shares in the year	15,16	2.9	402.6	-	-	405.5
Share issue costs	16	-	(7.1)	-	-	(7.1)
Dividends paid in the year	17	-	-	(41.1)	-	(41.1)
Balance at 31 March 2022		**9.1**	**940.0**	**21.0**	**330.6**	**1,300.7**

CONSOLIDATED CASH FLOW STATEMENT

	Note	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Cash flows from operating activities				
(Loss)/profit before tax		(27.5)	74.3	161.3
Adjustments for:				
Finance income		(0.1)	-	-
Finance costs	6	17.6	3.0	6.8
Loss on extinguishment of debt	6	20.6	-	-
Change in fair value of investment property	8	80.3	(55.5)	(117.7)
Loss/(gain) on disposal of investment property	8	0.1	-	-
Change in fair value of derivatives		(25.0)	(0.1)	(1.2)
Accretion of tenant lease incentives	4	(13.7)	(5.7)	(9.9)
Operating results before working capital changes		**52.3**	**16.0**	**39.3**
Decrease/(increase) in trade and other receivables		11.5	3.8	(3.2)
Increase/(decrease) in trade and other payables		24.5	2.2	15.3
Net cash flow generated from operating activities		**88.3**	**22.0**	**51.4**
Cash flows from investing activities				
Purchase of derivative		(1.3)	-	(0.1)
Purchase of investment properties		(54.9)	(240.0)	(425.4)
Partial cash alternative paid to SIR plc shareholders		(390.2)	-	-
Proceeds from sale of investment property		-	5.3	8.3
Interest received		0.1	-	-
Property, plant and equipment		-	-	-
Net cash flow used in investing activities		**(446.3)**	**(234.7)**	**(417.2)**

Cash flows from financing activities

Proceeds from shares issued in the period		-	103.7	353.8
Share issue costs paid		-	(1.9)	(7.2)
Dividend paid		(13.6)	(9.1)	(41.1)
Interst paid		(11.5)	(3.1)	(6.6)
Drawdown of borrowings		439.0	129.4	239.7
Repayment of borrowings		(30.9)	(72.0)	(186.0)
Loan arrangement fees paid		(2.2)	(0.8)	(1.4)
Net cash flow generated from financing activities		**380.8**	**146.2**	**351.2**
Net increase/(decrease) in cash and cash equivalents		**22.8**	**(66.5)**	**(14.6)**
Cash and cash equivalents at the beginning of the year		72.5	87.1	87.1
Cash and cash equivalents at the end of the year	12	**95.3**	**20.6**	**72.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

This consolidated set of condensed financial statements have been prepared in accordance the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and IAS 34 'Interim Financial Reporting' 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 2022 Annual Report and Accounts, which were prepared in accordance with UK-adopted International Accounting Standards (IFRS).

The condensed consolidated financial statements for the half-year ended 30 September 2022 have been reviewed by the Company's Independent Auditor, BDO LLP, in accordance with the International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity and were approved for issue on 23 November 2022. The condensed consolidated financial statements are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006.

The comparative financial information presented herein for the year ended 31 March 2022 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 2022 has been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified.

The condensed consolidated financial statements for the half-year ended 30 September 2022 have been prepared on a historical cost basis, as modified for the Group's investment properties and derivative financial instruments which are carried at fair value with changes presented in the statement of comprehensive income.

The condensed consolidated financial statements are presented in Sterling, as this is the currency of the primary economic environment in which the Group operates, 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 half-year of €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 2022 exchange rate of €1: £0.88. The accounting policy for foreign currency translation is in Note 3.

· **Standards effective from 1 April 2022**

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

- Amendments to IFRS 3 'Business Combinations': reflecting changes in reference to the Conceptual Framework but not significantly changing its requirements. The amendment is effective for periods beginning on or after 1 January 2022 but is not expected to have a material impact on the Group's accounts. The acquisition by the Group of Secure Income REIT in the period falls outside the definition of a business combination.
- Annual improvements to IFRS standards (applicable to periods beginning on or after 1 January 2022):

  i) IFRS 9: to add clarification of the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognise a financial liability.

  ii) IFRS 16: the addition of an illustrative example in the standard in order to remove confusion around lease incentives.

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

- **Standards issued not yet effective**

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

- Amendments to IAS 1 which clarifies the criteria used to determine whether liabilities are classified as current or non-current (effective 1 January 2023). These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.
- 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 (effective 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 (effective 1 January 2023).

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

Going concern

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

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

The completion of the acquisition of Secure Income REIT during the quarter provided further strength and resilience to the balance sheet, with net assets increasing from £1.3bn at 31 March 2022 to £2.4bn at 30 September 2022. In particular, the Board is comforted by the following characteristics of the platform:

Low-cost debt facilities, with significant covenant headroom

- The Group's pro forma net loan to value ("**LTV**") is 33%, following a £232m repayment of the Merlin A Sterling facility
- The Group's portfolio is currently valued at £3.7bn reflecting a valuation yield of 4.9%
- The Group has significant headroom to LTV and ICR covenant levels within each facility
- The total weighted average cost of debt across all facilities is capped at 4.2%

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
- The Group's leases average 26 years to first break and each lease is drawn on a fully repairing and insuring basis - tenants are responsible for repair, maintenance and outgoings, so there is no cost leakage for the Company

Strong liquidity

- At 30 September 2022 the Group had net assets of £2.4bn (31 March 2022: £1.3bn) and a cash balance of £114.3m (31 March 2022: £72.5m) with £65.0m of undrawn revolving credit facility (31 March 2022: £89.0m)
- Post balance sheet date, the Group closed out an interest rate cap related to the Merlin A facility, receiving proceeds of £23.1m net of costs

Debt maturity

The Group has £184m of bank borrowings maturing within 12 months after the approval of these consolidated financial statements (being £739.8m disclosed as current liabilities in the balance sheet, net of the £385m acquisition facility which has two 6 month borrower extension options and the £232m Merlin A facility repaid after the period end and adding back the £59m Budget hotels 1 facility due for repayment in October 2023 and unmortised arrangement fees).

The Group's policy is to arrange alternative finance in advance of expected requirements and based on ongoing

The Group's policy is to arrange alternative finance in advance of expected requirements and based on ongoing discussions with existing and new lenders the Directors have reasonable confidence that an extension, additional or replacement debt facilities will be put in place prior to the refinancing date. Furthermore, the Group has the ability to make disposals of investment properties to meet the future financing requirements and has demonstrated its ability to do so.

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

Sensitivity analysis

The Investment Advisor has considered the sensitivity of the financial projections to a range of key assumptions impacting compliance with secured debt covenants.

The Board have also considered reverse stress testing and the circumstances that would lead to a covenant breach of the loan to value covenants and the interest cover ratio covenants. All facilities have significant headroom to covenants, with the tightest LTV covenant requiring a 37% reduction in value before a breach and the tightest ICR covenant requiring a 40% loss of rent before a breach.

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 8)**

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

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

With respect to the consolidated financial statements, investment properties are valued at their fair value at each reporting date in accordance with IFRS 13 which recognises a variety of fair value inputs depending upon the nature of the investment. Given the bespoke nature of each of the Group's investments, all of the Group's investment properties are included in Level 3. Details of the nature of these inputs and sensitivity analysis is provided in Note 8.

Judgments:

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

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

· **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 breaks in place to extend the lease term will be exercised at the expiry of the current lease. The Directors concluded that it was impossible to say with reasonable certainty that an option will be exercised. The Directors concluded that lease terms should be restricted to the initial length of the lease, or to the break date, except where reversionary leases have already been executed or where options to extend have already been exercised.

· **Recognition of 'income strip' transaction**

The sale of the Merlin 'income strip' has been accounted for during the half-year period through recognition of a receivable and a transfer from freehold to long-leasehold in investment property. The judgement involves determining whether the risks and rewards had been substantially transferred at 30 September 2022. Completion of the Merlin 'income strip' sale occurred following the period end on 19 October 2022, however contracts for the transaction had unconditionally exchanged before the half-year end and at that point the risks and rewards of ownership of the assets had substantially transferred to the buyer. In addition, from this date the Group was contractually committed to repay the Merlin A loan facility which is presented as a current liability.

· **Treatment of corporate acquisitions in the period (Note 8)**

The merger with SIR plc (the acquisition of the entire issued share capital of Secure Income REIT plc) during the period has been treated as an asset acquisition rather than a business combination and therefore is outside the scope of IFRS 3.

The Company acquired on a share for share basis, with a 25% cash alternative, the shares of Secure Income REIT plc (the "target"). The target operations were solely the ownership of investment properties complete with extant tenant operating leases along with related cash and leverage and other associated assets and working capital balances.

The target was a real estate investment trust with the operations of the target group managed by Prestbury Investments Limited (the "target adviser"). The management contract with the target advisor made the target advisor responsible for the operations required to manage the property owned by the target.

Simultaneously on the merger, the target advisor was acquired by the Investment Advisor's group, and the management contract between Prestbury and SIR plc was immediately cancelled as the operations of the Group were taken over by LXi REIT Advisors Limited who remain Investment Advisor to the enlarged group.

IFRS 3 provides guidance in assessing whether an acquired process (or group of processes) are considered substantive when applied to an input. In making the judgement, the Directors considered whether the operations and activities of Secure Income REIT plc, constituted a business which they consider would require the acquisition of inputs and processes, that are designed to create outputs.

The Directors consider that in order that a business would be capable of being conducted and managed for the purposes defined above, an integrated set of activities and assets requires two essential elements - inputs and the relevant processes applied to those inputs, which together are or will be used to create outputs.

The Directors consider that the target was a passive investor in 'inputs' and did not directly possess any 'processes' required to produce 'outputs'. The Directors have also considered whether the management contract between target adviser and target gave rise to an organised workforce and substantive processes. They consider that the immediate cancellation of the management contract between target adviser and SIR plc on the merger means that no contract was acquired and as such no substantive processes could have been acquired. This means that a business has not been acquired through the merger.

This transaction has therefore been accounted for in the consolidated financial statements as an asset acquisition.

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.

On 6 July 2022 the Group completed a merger with Secure Income REIT Plc, from which date the company became a wholly owned subsidiary of the Group.

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

· **Investment property**

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

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

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

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

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

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

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

Significant accounting judgments, estimates and assumptions made in the valuation of investment properties are described in Note 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 at the half-year end date, the asset is available for immediate sale in its current condition and the asset is expected to be disposed of within 12 months after the date of the Consolidated Statement of Financial Position.

Financial instruments

a. Financial assets

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

Amortised cost

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

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

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

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

Restricted cash represents cash withheld by the lender on drawdowns of borrowings referred to in Note 14 until 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.

b. Financial liabilities

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

Other financial liabilities

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

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

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

· **Fair value hierarchy**

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

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

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

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

· **Leases - the Group as lessor**

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

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

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

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

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

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

· **Leases - the Group as lessee**

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

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

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

- **Taxation**

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

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

- **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 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Rental income from investment property	61.8	19.7	48.6
Accretion of tenant lease incentives (Note 8,24)	13.7	5.7	9.9
	75.5	**25.4**	**58.5**

5. Administrative and other expenses

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m

Investment advisory fees (Note 20)	6.2	3.3	7.1
Legal and professional fees	0.5	0.3	0.5
Other administrative costs	0.6	0.4	0.6
Corporate administration fees	0.3	0.1	0.3
Fees paid to the Company's Independent Auditor	0.2	0.1	0.2
Directors' fees (Note 20)	0.2	0.1	0.3
Recruitment fees	-	-	0.2
Advertising and Marketing	0.1	0.1	0.1
Abortive fees (Note 24)	1.4	-	-
Expected credit loss movement	-	-	-
	9.5	**4.4**	**9.3**

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

The Company paid £0.1m of additional fees to the Company's Independent Auditor in respect of reporting accountant services in the year relating to the merger which have been recognised as capitalised transaction costs on acquisition of the investment properties (30 September 2021: £nil, 31 March 2022: £0.1m).

6. Finance costs

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Interest payable on bank borrowings	14.6	2.4	5.4
Amortisation of loan arrangement fees	2.3	0.5	1.2
Leasehold interest	0.5	0.1	0.2
Loss on extinguishment of debt	20.6	-	-
Other bank charges	0.2	-	-
	38.2	**3.0**	**6.8**

Capitalised finance costs are included within property acquisitions in Note 8. The total interest payable on financial liabilities carried at amortised cost comprised:

- the interest payable on bank borrowings totalling £14.6m of which £0.6m was capitalised (30 September 2021: £3.0m of which £0.5m was capitalised, 31 March 2022: £6.5m of which £1.1m was capitalised); and
- the amortisation of loan arrangement fees totalling £2.3m of which £nil was capitalised (30 September 2021: £0.5m, 31 March 2021: £1.2m of which £nil was capitalised).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the period was 2.85% pa (30 September 2021: 2.85%, 31 March 2022: 2.85%)

A £20.6m make-whole payment was payable 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 and a gain of £12.8m.

7. Taxation

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

As a result of the Merger the Group acquired one German property and is now subject to German corporation tax on its German property rental business at an effective rate of 15.825%, resulting in a tax charge of £0.1m. A deferred tax liability of £12.3m is recognised for the German capital gains tax that would potentially be payable on the sale of the relevant investment properties. Movements in deferred tax are disclosed below.

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Balance at 1 April 2022			

Balance at 1 April 2022	-	-	-
Liability acquired as part of SIR plc merger	11.0	-	-
Charge in the period	1.1	-	-
Foreign exchange loss	0.2	-	-
Deferred tax liability	**12.3**	**-**	**-**

The German tax assets have been subject to a routine tax audit by the German tax authorities since January 2021. The current estimate of the tax liability that might arise, including interest up to the balance sheet date but excluding any penalties, is estimated at £0.5m and a provision has been made to that extent.

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Current tax - UK	-	(0.7)	(0.7)
Current tax - Germany	0.6	-	-
Total current tax	**0.6**	**(0.7)**	**(0.7)**
Origination and reversal of temporary differences	**1.1**	**-**	**-**
Total deferred tax	**1.1**	**-**	**-**
Tax charge / (credit)	**1.7**	**(0.7)**	**(0.7)**

Reconciliation of the total tax charge / (credit)

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 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
(Loss)/profit before tax	**(27.5)**	**73.6**	**161.3**
Tax at the standard rate of UK corporation tax of 19%	(5.2)	14.0	30.6
Effects of:			
REIT exempt income	(7.0)	(3.7)	(8.5)
Revaluation of investment properties	15.3	(10.5)	(22.4)
Gain on disposal of investment properties not exempt under REIT rules	-	0.4	0.4
Residual losses brought forward as at 31 March 2022	-	(0.4)	(0.4)
Residual losses not recognised as deferred tax asset	0.2	0.2	0.3
Expenses not deductible for tax purposes	0.3	-	-
Reversal of overstated tax creditor	-	(0.7)	(0.7)
Revaluation of derivative instruments	(3.7)	-	-
German current tax charge	0.6	-	-
Deferred tax movement	1.1	-	-
Tax charge / (credit)	**1.7**	**(0.7)**	**(0.7)**

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

8. Investment property

	Investment property long leasehold £m	Investment property freehold £m	Investment property in course of construction £m	Total £m

Half-year ended 30 September 2022				
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 24)	-	-	(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)
Assets transferred to held for sale	-	-	-	-
Transfers of completed property	1.8	18.8	(20.6)	-
Balance at 30 September 2022	**1,334.1**	**2,533.1**	**44.1**	**3,911.3**

Half-year ended 30 September 2021				
Balance at 1 April 2021	147.4	636.0	104.1	887.5
Property acquisitions	22.2	216.0	13.8	252.0
Licence fee receivable (Note 24)	-	-	(1.8)	(1.8)
Tenant lease incentives (Note 4)	1.1	4.6	-	5.7
Tenant lease contributions	-	0.9	-	0.9
Property disposals	-	(7.7)	-	(7.7)
Change in fair value	6.8	40.7	8.0	55.5
Assets transferred to held for sale	(12.0)	(8.7)	-	(20.7)
Transfers of completed property	(0.4)	22.8	(22.4)	-
Balance at 30 September 2021	**165.1**	**904.6**	**101.7**	**1,171.4**

Year ended 31 March 2022				
Balance at 1 April 2021	147.4	636.0	104.1	887.5
Property acquisitions	49.3	375.3	70.4	495.0
Licence fee receivable (Note 24)	-	-	(3.6)	(3.6)
Tenant lease incentives (Note 4)	2.1	7.3	0.5	9.9
Tenant lease contributions	-	0.9	-	0.9
Property disposals	-	(8.3)	-	(8.3)
Change in fair value	16.4	77.1	24.2	117.7
Assets transferred to held for sale	-	(19.0)	-	(19.0)
Transfers of completed property	115.8	24.1	(139.9)	-
Balance at 31 March 2022	**331.0**	**1,093.4**	**55.7**	**1,480.1**

The investment property has been independently valued at fair value by Knight Frank LLP, the Independent Valuer who are accredited external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued. The valuations are the ultimate responsibility of the Board.

The Independent Valuer valued the entire property portfolio at 30 September 2022 at £3,656.6m (31 March 2022: £1,544.4m, 30 September 2021: £1,216.6m) including capital commitments on forward funded assets. The valuation included a €184.9m 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: £0.88.

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

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

Reconciliation of fair value to total portfolio valuation

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Investment property and assets held for sale at fair value	3,911.3	1,192.1	1,499.1
Capital commitments on forward funded assets (Note 23)	42.5	31.2	53.6
Vendor discount in respect of rent-free periods and			

Vendor discount in respect of rent-free periods and top-ups	2.6	3.2	3.0
Licence fee receivable	1.1	2.1	1.5
Leasehold liability (Note 13)	(300.9)	(12.0)	(12.8)
Total completed portfolio valuation	**3,656.6**	**1,216.6**	**1,544.4**

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

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

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

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

Investment property and assets held for sale at fair value

Valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£m	£m	£m	£m
30 September 2022	**-**	**-**	**3,911.3**	**3,911.3**
30 September 2021	-	-	1,192.1	1,192.1
31 March 2022	-	-	1,499.1	1,499.1

There have been no transfers between levels during the period.

The valuations have been prepared in accordance with the RICS Valuation - Professional Standards (incorporating the International Valuation Standards).

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

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

Valuation techniques

· *Standing assets*

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

· *Investment property in the course of construction*

For property in the course of construction the fair value is calculated by estimating the fair value of the completed property using the income capitalisation technique less estimated costs to completion under fixed price developer funding agreements which include an appropriate developer's margin.

· *Observable input: passing rent*

The prevailing rent at which space is let at the date of valuation. Passing rents are dependent upon a number of variables in relation to the Group's property. These include property use, size, location, tenant covenant strength and terms of the lease.

· *Unobservable input: rental growth*

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value.

investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as a reasonable range would not result in a significant movement in fair value.

· *Unobservable input: net initial yield*

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase.

Sector	Passing rent pa 30 September 2022[1] £m	Passing rent pa range £m	Valuation 30 September 2022[1] £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
Theme Park	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
Portfolio	**200.1**	**0.0 - 12.8**	**3,656.6**	**1.9 - 12.4**

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

Sector	Passing rent pa 31 March 2022 £m	Passing rent pa range £m	Valuation 31 March 2022 £m	Valuation yield range %
Foodstores	16.3	0.1 - 2.7	386.3	3.3 - 7.5
Industrial	13.8	0.2 - 3.5	352.4	3.0 - 6.8
Budget hotel	10.4	0.1 - 1.8	212.6	4.1 - 6.5
Healthcare	6.3	0.0 - 1.0	110.4	5.0 - 6.4
Car parks	4.3	0.0 - 1.1	82.4	4.0 - 5.3
Garden centres	2.1	0.3 - 0.9	43.3	4.6 - 4.6
Life sciences	2.9	2.9 - 2.9	59.8	4.5 - 4.5
Drive-thru coffee	2.5	0.0 - 0.1	38.6	4.0 - 5.8
Pubs	2.6	0.1 - 0.4	41.3	5.5 - 6.2
Education	1.9	0.0 - 0.1	34.8	5.0 - 5.0
Other	11.4	0.0 - 1.8	182.5	4.0 - 9.5
Portfolio	**74.5**	**0.0 - 3.5**	**1,544.4**	**3.0 - 9.5**

1. Excludes £0.6m of contracted rent on assets that had exchanged but not completed as at the reporting date

Sensitivities of measurement of significant inputs

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

Valuation	-5% in passing rent £m	+5% in passing rent £m	+25bps in net initial yield £m	-25bps in net initial yield £m
30 September 2022	**(182.9)**	**182.9**	**(178.6)**	**197.9**
30 September 2021	(60.8)	60.8	(62.6)	69.8
31 March 2022	(60.8)	60.8	(64.9)	72.7

Realised gain on disposal of investment property

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

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Consideration received	19.0	7.8	8.3
Less:			
Carrying value	(18.9)	(7.8)	(8.3)
Selling costs	(0.2)	-	-
(Loss)/gain on disposal of investment property	**(0.1)**	**-**	**-**
Add:			
Change in fair value recognised in previous periods	3.0	2.1	2.1
Realised gain on disposal of investment property	**2.9**	**2.1**	**2.1**

9. Assets held for sale

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Assets held for sale	**-**	**20.7**	**19.0**
	-	**20.7**	**19.0**

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.

10. Financial instruments

Set out below is a comparison of the book value and fair value of the Group's financial instruments where a difference exists. For all other financial instruments, the book value is equal to the fair value.

Bank borrowings	Book value £m	Fair value £m
30 September 2022	**1,467.0**	**1,395.2**
30 September 2021	243.5	246.7
31 March 2022	240.0	237.1

11. Trade and other receivables

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Recoverable VAT	-	-	5.7
Licence fee receivable	2.7	3.9	5.3
Rent receivable	6.7	5.8	8.0

Prepayments and other receivables	1.9	0.3	0.4
Amount receivable from 'income strip' sale	257.0	-	-
Amounts due within one year	**268.3**	**10.0**	**19.4**

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

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

The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 30 September 2022. 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 2022 is £0.1m (31 March 2022: £0.1m, 30 September 2021: £0.1m).

Trade and other receivables that are financial assets amount to £266.4m (31 March 2022: £13.3m, 30 September 2021: £9.7m) which comprises amount receivable from 'income strip' sale, licence fee receivable and rent receivable.

Amount receivable from 'income strip' sale consists of £257.0m receivable in relation to the sale of the Merlin 'income strip' which completed after the period end. The amount was received after the period end and was used to fully repay the Merlin A facility.

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

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
30 days or fewer	268.3	8.9	13.0
31 to 60 days	-	0.1	0.1
61 to 90 days	-	0.1	0.1
91 days or more	-	0.6	0.1
Over one year	-	-	-
	268.3	**9.7**	**13.3**

12. Cash reserves

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Cash at bank	92.9	16.9	26.0
Cash held by lawyers	2.4	3.7	46.5
Cash and cash equivalents	**95.3**	**20.6**	**72.5**
Restricted cash	19.0	4.0	-
Cash at bank	**114.3**	**24.6**	**72.5**

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.

There are times throughout the year when the Group has restricted cash. 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. Restricted cash is not included in the Group's cash flow statement. These amounts arise both when initially drawing on term-loans prior to the bank taking adequate security and where a securitised asset is disposed prior to the bank replacing the asset with adequate security.

13. Trade and other payables

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Accrued investment property costs	5.4	3.7	4.0
Deferred rental income	44.6	11.4	14.5
Accruals	23.5	0.3	0.4
Trade and other payables	4.3	7.4	17.9

Early repayment of debt costs	20.2	-	-
Leasehold liability	7.5	-	0.3
Retentions payable	2.9	-	1.5
VAT payable	3.8	0.4	-
Corporation tax payable	0.9	-	-
Other financial liabilities	8.2	-	-
Amounts due within one year	**121.3**	**23.2**	**38.6**
Leasehold liability	36.4	12.0	12.5
Other financial liabilities	248.8	-	-
Retentions payable	-	-	1.1
Amounts due in more than one year	**285.2**	**12.0**	**13.6**

Trade and other payables that are financial liabilities amount to £361.0m (31 March 2022: £37.7m, 30 September 2021: £23.8m) which comprises early repayment of debt costs, leasehold liabilities, other financial liabilities, VAT payable accrued investment property costs, accruals, retentions, trade and other payables and the leasehold liability.

14. Bank borrowings

	Drawn £m	Undrawn £m	Total £m
Half-year ended 30 September 2022			
At beginning of the year	**246.0**	**89.0**	**335.0**
Book value of debt on SIR plc merger	827.4	-	827.4
New acquisition facility	385.0	-	385.0
Drawdowns	54.0	(54.0)	-
Repayments	(30.9)	-	(30.9)
At end of the year	**1,481.5**	**65.0**	**1,546.5**
Less: unamortised loan arrangement fees	(14.5)	-	(14.5)
	1,467.0	**65.0**	**1.532.0**
Half-year ended 30 September 2021			
At beginning of the year	**192.3**	**77.7**	**270.0**
New facilities	-	65.0	65.0
Drawdowns	129.4	(129.4)	-
Repayments	(72.0)	72.0	-
At end of the year	**249.7**	**85.3**	**335.0**
Less: unamortised loan arrangement fees	(6.2)	-	(6.2)
	243.5	**85.3**	**328.8**
Year ended 31 March 2022			
At beginning of the year	**192.3**	**77.7**	**270.0**
New facilities	-	65.0	**65.0**
Drawdowns	239.7	(239.7)	-
Repayments	(186.0)	186.0	-
At end of the year	**246.0**	**89.0**	**335.0**
Less: unamortised loan arrangement fees	(6.0)	-	(6.0)
	240.0	**89.0**	**329.0**

Maturity of drawn bank borrowings

	30 September 2022 £000	30 September 2021 £000	31 March 2022 £000
Repayable under 1 year	739.8		
Repayable between 1 and 2 years	159.5	-	74.6
Repayable between 2 and 5 years	400.2	78.3	-
Repayable after 5 years	167.5	165.2	165.4
	1,467.0	**243.5**	**240.0**

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, of which £50.0m has a margin of 1.80% is fixed at an all-in rate of 3.15% using an interest rate swap. The remaining £10m has a margin on 1.80% and is capped using interest rate derivatives at an all-in rate of 3.45%. The loan is due for repayment in June 2023
- A fixed rate, interest only 'Budget hotels 1' facility of £59.0m with M&G. The facility has a fixed all-in rate payable of 2.71% pa, for the duration of the loan term and is due for repayment in October 2023
- A mixed rate, interest only 'Budget hotels 2' facility with M&G of £65.4m, £52.2m of which is fixed at an all-in rate of 3.25% pa and £13.2m is SONIA linked with a margin of 2.32%. The Group uses interest rate derivatives to cap the interest on the floating elements of the facility at a total of 3.75%. The loan is due for repayment in April 2023
- A EURIBOR linked floating rate 'Merlin B' facility with Blackstone of €60.2m. The facility has a margin of 3.45%, is capped at an all-in rate of 4.95% pa and is due for repayment in March 2025. The loan has two one-year extension options
- A SONIA linked floating rate 'Merlin A' facility with Blackstone of £232.0m. The facility has a margin of 3.45%, is capped at an all-in rate of 4.95% and was due for repayment in March 2025. Post period end, following the completion of the sale of the Merlin 'income strip', the facility was repaid in full and the cap sold
- A fixed rate amortising loan 'Healthcare 1' facility of £63.4m 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 £294.9m 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

Revolving credit facility (Lloyds Bank plc and the Royal Bank of Scotland International Ltd)

- A revolving credit facility of £165.0m (of which £100.0m was drawn down as at 30 September 2022) with Lloyds and RBSi at a 1.55% margin over SONIA maturing in August 2024. The Group has traded interest rate derivatives to cap the interest on the full facility at a total of 2.95%

Acquisition facility

- In May 2022 the Group entered into a £385.0m unsecured interest only loan with Barclays Bank Plc and HSBC Plc to finance the partial cash alternative for SIR plc shareholders in the Merger. The loan was priced at a 1.5% margin on daily average SONIA with the margin increasing by 25bps every quarter. The margin payable as at 30 September 2022 was 1.75%. The Group has traded interest rate derivatives to cap the SONIA at 3% until May 2023. The loan is repayable in May 2024 assuming two six-month extension options are exercised

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 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Bank borrowings and leasehold liability at start of the period	252.8	190.4	190.4
Cash flows from financing activities			
Bank borrowings drawn	439.0	129.4	239.7
Bank borrowings repaid	(30.9)	(72.0)	(186.0)
Bank debt acquired on SIR plc merger at fair value on			

acquisition	817.9	-	-
Loan arrangement fees paid	(2.4)	(0.9)	(1.4)
Non-cash movements			
Amortisation of loan arrangement fees	2.3	0.5	1.1
Loan arrangement fees accrued	(0.2)	-	-
Revaluation FX on loan	1.3	-	-
Increase in leasehold liability resulting from property acquisitions	31.1	8.0	9.0
Other financial liability arising from 'income strip' sale	257.0	-	-
Bank borrowings and leasehold liability at end of the period	**1,767.9**	**255.5**	**252.8**

15. Share capital

Shares of £0.01 each	No. (million)	£m
Half-year ended 30 September 2022		
At the beginning of the period	911.6	9.1
Issued during the period in relation to the Merger	802.9	8.0
At the end of the year	**1,714.5**	**17.1**
Issued and fully paid	**1,714.5**	**17.1**
Half-year ended 30 September 2021		
At the beginning of the period	621.8	6.2
Issued during the period	78.0	0.8
At the end of the period	**699.8**	**7.0**
Issued and fully paid	**699.8**	**7.0**
Year ended 31 March 2022		
At the beginning of the year	621.8	6.2
Issued during the year	289.8	2.9
At the end of the year	**911.6**	**9.1**
Issued and fully paid	**911.6**	**9.1**

On 17 June 2019 the Company issued 169.1 million ordinary shares at 118.0p per share (1p nominal value and a premium of 117.0p) for total consideration of £200 million.

On 15 March 2021 the Company issued 100.4 million ordinary shares at 124.5p per share (1p nominal value and a premium of 123.5p) for total consideration of £125 million.

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

On 7 January 2022 the Company issued 35.7 million ordinary shares at 145.0p per share (1p nominal value and a premium of 144.0p) as part consideration for the acquisition of a long-let property let to Sainsbury's Supermarkets Ltd. The transaction had no profit or loss impact in the year and there is no liability in respect of the transaction as at the year end date. The remaining consideration was settled in cash. The transaction was measured directly at the fair value of the acquired asset.

On 14 February 2022 the Company issued 176.1 million ordinary shares at 142.0p per share (1p nominal value and a premium of 141.0p) for total consideration of £250 million.

On 6 July 2022 the Company issued 802.9 million ordinary shares at 143.4p per share (1p nominal value and a premium of 142.4p). The shares were issued as consideration for the acquisition of 100% of the issued share capital of SIR plc along with a partial cash settlement. SIR plc shareholders were entitled to receive 3.32 shares for each SIR plc 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. The issue price of the shares reflects the fair value of the assets acquired.

16. Share premium reserve

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

Share premium reserve	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m

At the beginning of the period	940.0	544.5	544.5
Premium on issue of ordinary shares	1,180.6	102.9	402.6
Share issue costs	-	(1.9)	(7.1)
At the end of the period	**2,120.6**	**645.5**	**940.0**

17. Dividends

Dividends paid and declared	**£m**
Dividends in respect of the year ended 31 March 2022	
Fourth quarterly dividend at 1.50p per share	13.6
Dividends in respect of the year ended 31 March 2023	
First quarterly dividend at 1.575p per share	-
Second quarterly dividend at 1.575p per share	-
Total dividends paid	**13.6**
Total dividend per share paid in the period	**1.50p**
Total dividend per share proposed in respect of the year	**3.15p**

Dividends in respect of the year ending 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.

Dividends in respect of the year ended 31 March 2022

Dividends paid and declared	**£m**
Dividends in respect of the year ended 31 March 2021	
Fourth quarterly dividend at 1.46p per share	9.1
Dividends in respect of the year ended 31 March 2022	
First quarterly dividend at 1.50p per share	10.5
Second quarterly dividend at 1.50p per share	10.5
Third quarterly dividend at 1.50p per share	11.0
Total dividends paid	**41.1**
Total dividend per share paid in the year	**5.96p**
Total dividend per share proposed in respect of the year	**6.0p**

On 17 September 2021, the Company announced a first quarterly dividend in respect of the year ended 31 March 2022 of 1.50p per share which was paid on 29 October 2021 to shareholders on the register on 1 October 2021.

On 24 November 2021, the Company announced a second quarterly dividend in respect of the year ended 31 March 2022 of 1.50p per share which was paid on 30 December 2021 to shareholders on the register on 3 December 2021.

On 28 January 2022, the Company announced a third quarterly dividend in respect of the year ended 31 March 2022 of 1.50p per share which was paid on 25 March 2022 to shareholders on the register on 11 February 2022.

On 19 May 2022, the Company announced a final dividend in respect of the year ended 31 March 2022 of 1.50p per share which was paid on 24 June 2022 to shareholders on the register on 27 May 2022

18. Leases

The Group as lessor

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

Lease receivables	**< 1 year** **£m**	**1-5 years** **£m**	**> 5 years** **£m**	**Total** **£m**
30 September 2022	**194.7**	**807.6**	**5,970.9**	**6,973.2**
31 March 2022	68.2	281.8	1,288.5	1,638.5

30 September 2021	53.3	219.4	931.4	1,204.1

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	1-5 years	> 5 years	Total
	£m	£m	£m	£m
30 September 2022	**2.3**	**9.3**	**201.4**	**213.0**
31 March 2022	0.3	1.3	36.6	38.2
30 September 2021	0.3	1.2	34.8	36.3

The above is in respect of leasehold properties held by the Group. There are 194 properties (31 March 2022: 37 properties, 30 September 2021: 32 properties) held under leasehold with lease ranges from 99 years to 999 years. The increase in lease payables in the period is attributable to the acquisition of investment property in the period with headlease charges.

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 8).

19. Segmental information

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

The internal financial reports contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the consolidated financial statements. These internal financial reports include the IFRS figures but also report the non-IFRS figures for the EPRA and alternative performance measures as disclosed in Notes 24 and 25 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 2022	Half-year ended 30 September 2021	Year ended 31 March 2022
	£m	£m	£m
UK	73.9	25.4	58.5
Germany	1.6	-	-
	75.5	**25.4**	**58.5**

Investment properties

	Half-year ended 30 September 2022	Half-year ended 30 September 2021	Year ended 31 March 2022
	£m	£m	£m
UK	3,749.2	822.3	1,480.1
Germany	162.1	-	-
	3,911.3	**822.3**	**1,480.1**

During the half-year the Group had three tenants (30 September 2021: Nil, 31 March 2022: Nil) 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 2022	Half-year ended 30 September 2021	Year ended 31 March 2022
Major tenants	42%	-	-
Other tenants (each less than 10% of revenue)	58%	100%	100%
	100%	**100%**	**100%**

20. Related party transactions

Transactions with the Board of Directors

In respect of the period ended 30 September 2021 fees of £0.2m were payable to the Directors (30 September 2021: £nil, 31 March 2022: £0.3m) in the form of short-term employee benefits.

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

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

		30 September 2022 Number	30 September 2021 Number	31 March 2022 Number
Cyrus Ardalan	Acquired	-	-	206,000
	Held	**206,000**	**-**	**206,000**
John Cartwright*	Acquired	-	-	-
	Held	**66,687**	**66,687**	**66,687**
Jan Etherden (resigned 15 July 2022)	Acquired	-	-	-
	Held	**77,274**	**77,274**	**77,274**
Patricia Dimond (resigned 19 July 2022)**	Acquired	-	-	14,084
	Held	**39,520**	**26,149**	**39,520**
Hugh Seaborn	Acquired	40,595	**-**	**-**
	Held	**40,595**	**-**	**-**
Ismat Levin	Acquired	-	-	14,084
	Held	**14,084**	**-**	**14,084**
Nick Leslau (appointed 6 July 2022)**	Acquired	95,978,407	**-**	**-**
	Held	**95,978,407**	**-**	**-**
Sandy Gumm (appointed 6 July 2022)	Acquired	639,345	**-**	**-**
	Held	**639,354**	**-**	**-**

* 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.

Transactions with the Investment Advisor

A fee of £6.2m was payable to the Investment Advisor in respect of the period (30 September 2021: £3.3m, 31 March 2022: £7.1m). At 30 September 2022, £1.6m was due to the Investment Advisor (30 September 2021: £0.7m ,31 March 2022: £0.9m) for provision of key management services.

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

· One-twelfth of 0.75% per calendar month of market capitalisation up to or equal to £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.

No performance fee is payable to the Investment Advisor.

The previous fee structure which applied up until 6 July 2022 is as follows:

- 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.

21. Consolidated entities

The Company owns 100% of the equity shares of all subsidiaries listed below and has the power to appoint and remove the majority of the Board of Directors of those subsidiaries. The relevant activities of the below subsidiaries are determined by the respective Directors based on simple majority votes. Therefore, the Board of the Company has concluded that the Company has control over all these entities and all these entities have been consolidated within this set of financial statements.

Name of entity	Principal activity	Country of incorporation	Ownership
LXi Property Holdings 1 Limited	Property investment	UK	100%
LXi Property Holdings 2 Limited*	Property investment	UK	100%
LXi Property Holdings 3 Limited	Property investment	UK	100%
LXi Property Holdings 4 Limited	Property investment	UK	100%
LXi Property Holdings 4a Limited*	Property investment	UK	100%
Alco 1 Limited*	Property investment	UK	100%
FPI Co 223 Limited*	Property investment	UK	100%
LXi Cowdenbeath Limited*	Property investment	UK	100%
SM Plymouth Hotel Limited*	Property investment	UK	100%
Corby (General Partner) Limited*	Property investment	UK	100%
Corby Rail Services Limited*	Property investment	UK	100%
Corby Limited Partnership*	Property investment	UK	100%
Firethorn Glasgow Limited	Property investment	UK	100%
Corby (No.2) Unit Trust*	Property investment	Jersey	100%
LXi Spirit Limited	Property investment	Isle of Man	100%
Welling Property Limited	Property investment	BVI	100%
Acquired in the period:			
LXi Property Holdings 5 Limited	Property investment	UK	100%
LXi Property Holdings 5a Limited*	Property investment	UK	100%
LXi Property Holdings 6 Limited	Property investment	UK	100%
LXi Finco Limited	Intermediate parent company	UK	100%
LXi Cornbow Limited	Property investment	UK	100%
LXi SIR Holdco Limited (previously Secure Income REIT Plc)	Intermediate parent company	UK	100%
SIR Theme Park Subholdco Limited*	Intermediate parent company	UK	100%
SIR ATH Limited*	Property investment	UK	100%
SIR ATP Limited*	Property investment	UK	100%
SIR HP Limited*	Property investment and borrower (incorporated in England, operating in Germany)	UK	100%
SIR TP Limited*	Property investment	UK	100%
SIR WC Limited*	Property investment	UK	100%
SIR Hospital Holdings Limited*	Intermediate parent company	UK	100%
SIR Umbrella Limited*	Intermediate parent company	UK	100%
SIR Hospitals Propco Limited*	Intermediate parent company	UK	100%
SIR Duchy Limited*	Property investment	UK	100%
SIR Springfield Limited*	Property investment	UK	100%
SIR Healthcare 1 Limited*	Intermediate parent company	UK	100%
SIR Healthcare 2 Limited*	Intermediate parent company	UK	100%
SIR Fitzwilliam Limited*	Property investment	UK	100%
SIR Fulwood Limited*	Property investment	UK	100%
SIR Lisson Limited*	Property investment	UK	100%
SIR Midlands Limited*	Property investment	UK	100%
SIR Oaklands Limited*	Property investment	UK	100%
SIR Oaks Limited*	Property investment	UK	100%
SIR Pinehill Limited*	Property investment	UK	100%
SIR Rivers Limited*	Property investment	UK	100%

SIR Woodland Limited*	Property investment	UK	100%
SIR Yorkshire Limited*	Property investment	UK	100%
Thomas Rivers Limited*	Property investment	UK	100%
SIR Hotels 1 Limited*	Intermediate parent company	UK	100%
SIR Hotels Jersey Limited*	Intermediate parent company	Jersey	100%
SIR Unitholder 1 Limited*	Intermediate parent company	Jersey	100%
SIR Unitholder 2 Limited	Intermediate parent company	Jersey	100%
Grove Property Unit Trust 6*	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 7*	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 9*	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 11*	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 12*	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 16*	Property investment and borrower	Jersey	100%
SIR Hotels 2 Limited*	Intermediate parent company	UK	100%
SIR Hotels Jersey 2 Limited*	Intermediate parent company and property investment	Jersey	100%
SIR Unitholder 3 Limited*	Intermediate parent company	Jersey	100%
SIR Unitholder 4 Limited*	Intermediate parent company	Jersey	100%
Grove Property Unit Trust 2*	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 5*	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 13*	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 14*	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 15*	Property investment and borrower	Jersey	100%
SIR Maple 4 Limited*	Property investment and borrower	UK	100%
SIR Maple Holdco Limited*	Intermediate parent company	UK	100%
SIR Maple 1 Limited*	Intermediate parent company	UK	100%
SIR Unitholder 5 Limited*	Intermediate parent company	Jersey	100%
MIF 1 Unit Trust*	Property investment and borrower	Jersey	100%
SIR Maple 2 Limited*	Property investment and borrower	UK	100%
SIR Maple 3 Limited*	Property investment and borrower	UK	100%
SIR New Hall Limited*	Dormant	UK	100%
SIR MTL Limited*	Dormant	UK	100%
Charcoal Bidco Limited*	Dormant	UK	100%
SIR Hotels 2 Holdco Limited*	Dormant	Jersey	100%
SIR Hotels 2 GP Limited*	Dormant	Jersey	100%
SIR Hotels 2 Nominee Limited*	Dormant	Jersey	100%
SIR Newco Limited*	Dormant	Jersey	100%
SIR Newco 2 Limited*	Dormant	Jersey	100%

* Subsidiaries indirectly owned.

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

The registered office of Jersey subsidiaries with the exception of MIF 1 Unit Trust is 26 New Street, St Helier, Jersey JE2 3RA.

The registered office of MIF 1 Unit Trust is 44 Esplanade, St Helier, Jersey, JE4 9WG.

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

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

22. 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 Directors for managing each of these risks are summarised below.

Interest rate risk

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

The Group has reduced the interest rate risk on its external borrowing by fixing the rate of interest payable 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 plc 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. The Board of Directors believes that the credit risk on short term deposits and current account cash balances is limited because of low counterparty risk, the counterparties being banks with high credit ratings.

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

Liquidity risk

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

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

	< 3 months	3-12 months	1-5 years	> 5 years	Total
	£m	£m	£m	£m	£m
30 September 2022					
Bank borrowings (Note 14)	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
	273.5	**551.1**	**670.5**	**894.1**	**2,389.2**
30 September 2021					
Bank borrowings (Note 14)	-	-	79.7	170.0	249.7
Interest payable on bank borrowings	1.5	4.4	20.2	24.9	61.0
Trade and other payables	23.2	-	-	-	23.2
Lease payables	0.1	0.2	1.2	34.8	36.3
24.84.6101.1239.7370.2	**24.8**	**4.6**	**101.1**	**239.7**	**370.2**
31 March 2022					
Bank borrowings (Note 14)	-	-	76.0	170.0	246.0
Interest payable on bank borrowings	1.5	4.4	19.7	32.5	58.1
Trade and other payables	17.9	-	-	-	17.9
Lease payables	0.1	0.2	1.3	36.6	38.2
Retentions payable	-	1.5	1.1	-	2.6
	19.5	**6.1**	**98.1**	**239.1**	**362.8**

Capital management

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

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

- The level of borrowing will be on a prudent basis for the asset class and will seek to achieve a low cost of funds, whilst maintaining flexibility in the underlying security requirements and structure of the Group.
- The Board intends to maintain a conservative level of aggregate borrowings with a medium term maximum target of 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. Following the Merger, on an IFRS basis, 4.7% by value of the Group's net assets are Euro denominated and as a result the Group is subject to foreign currency exchange risk. On an EPRA NTA basis, the Euro exposure is 4.7%. This risk is partially hedged because within the Group's German operations, rental income, interest costs and the majority of both assets and liabilities are Euro denominated. An unhedged currency risk remains on the value of the Group's net investment in, and net returns from, its German operations.

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 2022 £m
Investment property revaluation net of deferred tax	**(0.1)**
Other income statement movements	**0.6**
Increase in profit / (loss) for the half-year	**0.5**
Increase in other comprehensive income and equity	**10.6**

23. Capital commitments

At 30 September 2022 the Group had capital commitments of £42.5m (30 September 2020 £31.2m, 31 March 2022: £53.6m) in relation to the cost to complete its forward funded pre-let development assets and £9.8m in respect of acquisitions for which contracts had exchanged but conditions to completion remain outstanding (30 September 2021 £31.0m, 31 March 2022: £90.1m). All commitments fall due for settlement within one year from the date of this report.

24. 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 2022 £m	**Half-year ended 30 September 2021 £m**	**Year ended 31 March 2022 £m**
(Loss)/earnings	**(29.2)**	**74.3**	**162.0**
Weighted average number of ordinary shares (million)	1,288.9	659.3	710.2
Earnings per share ("EPS")	**(2.3)p**	**11.3p**	**22.8p**
Adjustments to remove:			
Change in fair value of investment property	80.3	(55.5)	(117.7)
Gain/loss on disposal of investment property	0.1	-	-
Change in fair value of interest rate derivative	(25.0)	(0.1)	(1.2)
Loss on extinguishment of debt	20.6	-	-
EPRA earnings	**46.8**	**18.7**	**43.1**
Weighted average number of ordinary shares (million)	1,288.9	659.3	710.2
EPRA EPS	**3.6p**	**2.8p**	**6.1p**
Adjustments:			
Licence fees receivable	1.2	1.8	3.6
Amortisation of cash backed rental top ups and rent-free periods	[illegible]	[illegible]	[illegible]

free periods	0.3	2.3	3.2
Amortisation of loan fees	2.3	-	-
Reverse deferred tax provision	1.1	-	-
Adjusted earnings	**51.7**	**22.8**	**49.9**
Weighted average number of ordinary shares (million)	1,288.9	659.3	710.2
Adjusted EPS	**4.0p**	**3.5p**	**7.0p**
Adjustments to remove:			
Accretion of tenant lease incentives (Note 8)	(13.7)	(5.7)	(9.9)
Abortive fees (Note 5)	1.4	-	0.6
Adjusted cash earnings	**39.4**	**17.1**	**40.6**
Weighted average number of ordinary shares (million)	1,288.9	659.3	710.2
Adjusted cash EPS	**3.1p**	**2.6p**	**5.7p**

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

25. 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 2022 £m	**30 September 2021 £m**	**31 March 2022 £m**
Net asset value ("NAV")	**2,448.2**	**948.5**	**1,300.7**
Number of ordinary shares (million)	1,714.5	699.8	911.6
NAV per share	**142.8p**	**135.5p**	**142.7p**
Adjustments to calculate EPRA NTA	**(25.9)**	**0.1**	**(1.2)**
EPRA NTA	**2,422.3**	**948.6**	**1,299.5**
Number of ordinary shares	1,714.5	699.8	911.6
EPRA NTA per share	**141.3p**	**135.5p**	**142.6p**
Dividend paid post period end	**(1.575)p**	**(1.5)p**	**-**
EPRA NTA per share (ex-dividend)	**139.7p**	**134.0p**	**142.6p**

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

26. Post balance sheet events

Dividends

Dividends in respect of the year ending 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

Acquisitions and disposals

· The Group completed the sale of the 65 year Merlin 'income strip' representing 30% of the annual rental income from the Thorpe Park and Alton Towers assets, operated by Merlin, to a UK institution for £257 million, reflecting a NIY of 2.96%

Debt

· Following the completion of the 'income strip' sale on 19 October 2022, the Group repaid in full the outstanding facility amount of £231.8m on the Merlin facility A

· The Group closed out the Merlin facility A cap which generated a net cash payment to the Group of £23.1m. Cash proceeds will be used to pay down the RCF facility with flexibility to re-draw

27. Controlling parties

There is no ultimate controlling party of the Group.

NOTES TO THE EPRA AND ALTERNATIVE PERFORMANCE MEASURES

EPRA NAV measures

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

As at 30 September 2022	Current measures			Previous measures	
	EPRA NTA	EPRA NRV	EPRA NDV	EPRA NAV	EPRA NNNAV
	£m	£m	£m	£m	£m
Net asset value	2,448.2	2,448.2	2,448.2	2,448.2	2,448.2
Mark-to-market adjustments of derivatives	(25.9)	(25.9)	-	(25.9)	-
Deferred tax	-	12.3	-	-	-
Fair value of debt	-	-	(71.8)	-	(71.8)
Real estate transfer tax	-	245.5	-	-	-
At 30 September 2022	**2,422.3**	**2,680.1**	**2,376.4**	**2,422.3**	**2,376.4**
Number of ordinary shares (million)	1,714.5	1,714.5	1,714.5	1,714.5	1,714.5
Per share	**141.3**	**156.3**	**138.6**	**141.3**	**138.6**

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

As at 31 March 2022	Current measures			Previous measures	
	EPRA NTA	EPRA NRV	EPRA NDV	EPRA NAV	EPRA NNNAV
	£m	£m	£m	£m	£m
Net asset value	1,300.7	1,300.7	1,300.7	1,300.7	1,300.7
Mark-to-market adjustments of derivatives	(1.2)	(1.2)	-	(1.2)	-
Fair value of debt	-	-	8.8	-	-
Real estate transfer tax	-	101.5	-	-	-
At 31 March 2022	**1,299.5**	**1,401.0**	**1,309.5**	**1,299.5**	**1,309.5**

Number of ordinary shares (million)	911.6	911.6	911.6	911.6	911.6
Per share	**142.6p**	**153.7p**	**143.7p**	**142.6p**	**143.7p**

EPRA NIY and EPRA 'Topped Up' NIY

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Investment property - wholly owned	3,656.6	1,216.6	1,544.4
Less: development properties	(89.9)	(164.4)	(123.6)
Completed property portfolio	**3,572.7**	**1,052.2**	**1,420.8**
Allowance for estimated purchasers' costs	242.9	71.6	96.5
Gross up completed property portfolio valuation (b)	**3,815.6**	**1,123.8**	**1,517.3**
Annualised passing rental income[1]	200.1	61.1	74.5
Less: contracted rental income in respect of development properties	(3.5)	(6.6)	(5.6)
Property outgoings	-	-	-
Annualised net rents[2] (a)	**196.6**	**54.5**	**68.9**
Contractual increases for lease incentives[3]	122.2	26.0	31.9
Topped up annualised net rents (c)	**318.8**	**80.5**	**100.8**
EPRA NIY (a/b)	**5.2%**	**4.8%**	**4.5%**
EPRA Topped Up NIY (c/b)	**8.4%**	**7.2%**	**6.6%**

EPRA Vacancy Rate

	30 September 2022 £m	30 September 2021 £m	31 March 2022 £m
Annualised estimated rental value of vacant premises	-	-	-
Annualised net rents[2]	196.6	54.5	68.9
EPRA Vacancy Rate	**0%**	**0%**	**0%**

EPRA Cost Ratio

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Property operating costs	-	-	-
Vacant property costs	-	-	-
Administration expenses[4]	9.5	4.4	9.3
Total costs (both including and excluding vacant property costs[5])	**9.5**	**4.4**	**9.3**
Total gross rental income	75.5	25.4	58.5
Total EPRA cost ratio	**12.6%**	**17.3%**	**15.9%**

EPRA LTV

	Half-year ended 30 September 2022 £m	Half-year ended 30 September 2021 £m	Year ended 31 March 2022 £m
Borrowings from financial institutions	1,249.5	249.7	246.0
Net payables	-	13.3	20.3
Exclude cash	(114.3)	(24.6)	(72.5)
Net debt (a)	**1,137.8**	238.3	193.8
Built investment property at fair value	3,566.4	1,216.6	1,544.4

Fair value of properties under development	44.1	-	-
Net receivables	175.9	-	-
Total property value (b)	3,786.4	1,216.6	1,544.4
LTV (a/b)	30%	20%	13%

Total accounting return

	Half-year ended 30 September 2022 p	**Half-year ended 30 September 2021 p**	**Year ended 31 March 2022 p**
EPRA NTA per share at beginning of the period	142.6	125.7	125.7
EPRA NTA per share at end of the period	141.3	135.5	142.6
Change in EPRA NTA per share in the period	**(1.3)**	**9.8**	**16.9**
Dividend per share paid in the period	1.5p	1.5p	6.0p
Total of change in EPRA NTA and dividend per share	**0.2**	**11.3**	**22.9**
Total accounting return	**0.1%**	**9.0%**	**18.2%**

1 Excludes £0.6m of contracted rent on assets that had exchanged but not completed as at the reporting date

2 Excludes contracted rents receivable on development properties

3 e.g. Step rents and expiry of rent-free periods

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

5 The Group has no vacant property costs

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