

THIS DOCUMENT AND THE FORM OF PROXY ARE IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, or the contents of this document, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser duly authorised under the FSMA if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or transferred all of your Existing Ordinary Shares, please send this document and the Form of Proxy at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations including, but not limited to, the Excluded Jurisdictions. If you have sold or transferred part of your holding of Existing Ordinary Shares you should contact your stockbroker, bank or other agent through whom the sale or transfer was effected.



(a public limited company incorporated and registered in England and Wales with registered company number 07124797)

**Recommended offer for the entire issued and to be issued ordinary share
capital of LXi REIT plc to be implemented by way of
Scheme of Arrangement under Part 26 of the Companies Act 2006**

**Proposed issue and admission of up to 942,960,279 New Ordinary Shares in
connection with the Merger**

and

Notice of General Meeting

Peel Hunt

Sponsor, Financial Adviser and Broker

Barclays Bank

Lead Financial Adviser and Broker

J.P. Morgan Cazenove

Financial Adviser and Broker

Your attention is drawn to the letter from the Chair, which is set out in Part 7 (Letter from the Chair) on pages 39 to 51 of this document. You should read the entire document but your attention is also drawn to Part 2 (Risk Factors) on pages 13 to 27 of this document which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Proposals.

This document, which comprises (a) a circular prepared in compliance with the Listing Rules of the Financial Conduct Authority ("FCA") for the purposes of the LondonMetric General Meeting convened pursuant to the Notice of General Meeting contained at the end of this document and (b) a prospectus relating to the issue of New Ordinary Shares in connection with the proposed Merger prepared in accordance with the Prospectus Regulation Rules of the FCA made pursuant to section 73A of FSMA.

This Prospectus has been approved by the FCA as competent authority under the Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Ordinary Shares. This Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation.

The Company and each of the Directors and the Proposed Director, whose names appear on page 31 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Director, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

The Existing Ordinary Shares are listed in the premium segment of the Official List of the FCA (the "Official List") and are admitted to trading on the London Stock Exchange's main market for listed securities (the "Main Market").

Application will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market, respectively. It is expected that Admission will become effective and that unconditional dealings on the London Stock Exchange in the New Ordinary Shares will commence at 8.00 a.m. (London Time) on 6 March 2024. No application is currently intended to be made for New Ordinary Shares to be admitted to listing or dealt with on any other exchange.

Notice of a general meeting of LondonMetric to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF at 2.30 p.m. (London Time) on 27 February 2024 is set out in Part 16 (Notice of General Meeting). The Proposals described in this document are conditional upon Shareholder approval. You can submit your proxy vote electronically by accessing the shareholder portal at www.signalshares.com, logging in and selecting the 'Vote Online Now' link. You will require your username and password in order to log in and vote. If you have forgotten your username or password you can request a reminder via the shareholder portal. If you have not previously registered to use the portal you will require your investor code ('IVC') which can be found on your share certificate or dividend notification. Proxy votes should be submitted as early as possible and in any event, no later than 2.30 p.m. on 23 February 2024 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting). You may not have received a hard copy proxy form for the LondonMetric General Meeting in the post but you can request a hard copy proxy form directly from the Registrars, Link Group by emailing shareholderenquiries@linkgroup.co.uk, by calling 0371 664 0391, or by post at Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL. To be valid, any hard copy proxy form (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be received by post or (during normal business hours only) by hand at the Company's registrars, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL by no later than 2.30 p.m. on 23 February 2024 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting). Alternatively, you can vote via CREST or Proxymity (please refer to the notes to the Notice of General Meeting set out in Part 16 (Notice of General Meeting) of this document. Completion and return of proxy votes does not prevent a Shareholder from otherwise attending and voting in person at the LondonMetric General Meeting.

Peel Hunt LLP ("**Peel Hunt**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no-one else and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Proposals, the proposed Merger or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in connection with the Proposals, the proposed Merger or Admission or any other matters referred to in this document.

Barclays Bank plc ("**Barclays**"), which is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the PRA and FCA in the United Kingdom, is acting exclusively for the Company and for no-one else and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Proposals, the proposed Merger or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in connection with the Proposals, the proposed Merger or Admission or any other matters referred to in this document.

J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove) ("**JPMC**"), which is authorised in the United Kingdom by the PRA and regulated by the PRA and FCA, is acting as financial adviser exclusively for the Company and for no-one else in connection with the proposed Merger and will not regard any other person (whether or not a recipient of this document) as its client in relation to the proposed Merger and will not be responsible to anyone other than the Company for providing the protections afforded to clients of JPMC or its affiliates, nor for providing advice in relation to the proposed Merger or any other matter or arrangement referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed upon Peel Hunt, Barclays or JPMC by the FCA or under FSMA, or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Peel Hunt, Barclays or JPMC nor any person affiliated with them, assumes any responsibility whatsoever and makes no representation or warranty, express or implied, as to the contents of the Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by Peel Hunt, Barclays, JPMC or on their behalf, the Company or any other person in connection with the Company, the New Ordinary Shares, or the Proposals, the proposed Merger or Admission and nothing contained in the Prospectus is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Peel Hunt, Barclays and JPMC (together with their respective affiliates) disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of the Prospectus or any such statement.

The Company is not regulated or authorised in the United Kingdom by the FCA or by any other regulatory body in the European Economic Area.

No person is authorised in connection with the Proposals to give any information or to make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by LondonMetric, Peel Hunt, Barclays or JPMC.

Without prejudice to any obligation of LondonMetric to publish a supplementary prospectus pursuant to section 87G of the FSMA or paragraph 3.4 of the Prospectus Regulation Rules, the publication of this document does not, under any circumstances, state or create any implication that there has been no change in the affairs of the LondonMetric Group or the LXi Group since, or that the information contained in this document is correct any time subsequent, to the date of this document.

NOTICE TO OVERSEAS SHAREHOLDERS

The release, publication or distribution of this document in jurisdictions other than the United Kingdom and the ability of LXi Shareholders who are not resident in the United Kingdom to participate in the Merger may be restricted by laws and/or regulations of those jurisdictions. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and should observe, any applicable requirements. Any failure to comply with these requirements may constitute a violation of the securities laws of any such jurisdiction.

Unless otherwise determined by LondonMetric or required by the Code, and permitted by applicable law and regulation, the proposed Merger will not be implemented and documentation relating to the proposed Merger shall not be made available, directly or indirectly, in, into or from an Excluded Jurisdiction where to do so would violate the laws of that jurisdiction and no person may vote in favour of the proposed Merger by any use, means, instrumentality or form within an Excluded Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from any Excluded Jurisdiction and persons with access to this document and any documents relating to the proposed Merger (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in, into or from any Excluded Jurisdiction.

The availability of New Ordinary Shares under the Merger to LXi Shareholders who are not resident in the UK may be affected by the laws of the relevant jurisdictions in which they are resident. This document has been prepared for the purpose of complying with English law and applicable regulations and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of England.

This document does not constitute an offer to sell or issue or the solicitation of an offer to buy, acquire or subscribe for shares in the capital of LondonMetric in any Excluded Jurisdiction or to any person to whom it is unlawful to make such offer or solicitation. None of the securities referred to in this document shall be sold, issued or transferred in any jurisdiction in contravention of applicable law and/or regulation.

It is the responsibility of each person into whose possession this document comes to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the distribution of this document, the receipt of the New Ordinary Shares and the implementation of the proposed Merger and to obtain any governmental, exchange control or other consents which may be required, comply with other formalities which are required to be observed and pay any issue, transfer or other taxes due in such jurisdiction. To the fullest extent permitted by applicable law, LondonMetric, the Directors, the Proposed Director, the LondonMetric Group, Peel Hunt, Barclays, JPMC and all other persons involved in the proposed Merger disclaim any responsibility or liability for the failure to satisfy any such laws, regulations or requirements by any person.

Further details relevant for LXi Shareholders in overseas jurisdictions are contained in the Scheme Document.

NOTICE TO UNITED STATES INVESTORS

The New Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Ordinary Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States except pursuant to an exemption from the registration requirements under the US Securities Act. The New Ordinary Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. LXi Shareholders who will be affiliates (within the meaning of the US Securities Act) of LondonMetric or LXi prior to, or of LondonMetric after, the Effective Date will be subject to certain US transfer restrictions relating to the New Ordinary Shares received pursuant to the Scheme. For a description of these restrictions and for other important information, see paragraph 8 of Part 6 (Important Information) of this document.

None of the securities referred to in this Prospectus have been approved or disapproved by the United States Securities and Exchange Commission (the “**SEC**”), any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the fairness or merits of such securities or the Merger or upon the adequacy or accuracy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO LXI SHAREHOLDERS IN CANADA

New Ordinary Shares will be issued under the Merger to LXi Shareholders in Canada in reliance upon available exemptions from the prospectus requirements of applicable Canadian securities laws. An LXi Shareholder may, however, be subject to restrictions under applicable Canadian securities laws with respect to any subsequent resale in Canada of New Ordinary Shares issued under the Merger, and is solely responsible for determining and complying with those restrictions.

NOTICE TO SHAREHOLDERS IN HONG KONG

This Prospectus is only for the information of persons who are LondonMetric Shareholders; it has not been registered with, or authorized by, any authority in Hong Kong; it does not constitute an offer for shares to the public in Hong Kong or an invitation to the public in Hong Kong to subscribe for shares; and it must not be onward distributed to the public in Hong Kong.

NOTICE TO SHAREHOLDERS IN UAE

This Prospectus is only for the information of persons who are LondonMetric Shareholders; it has not been registered with, or authorised by, any federal, emirate-level or freezone authority in the United Arab Emirates; it does not constitute an offer of securities to any person(s) in the United Arab Emirates (or any of its emirates or freezone areas) or an invitation to the public in the United Arab Emirates (or any of its emirates or freezone areas) to subscribe for shares; and it must not be onward distributed to the public in the United Arab Emirates. This Prospectus has not been approved by the UAE Central Bank, the UAE Securities & Commodities Authority, the Dubai Financial Services Authority of the Dubai International Financial Centre, or the Financial Services Regulatory Authority of the Abu Dhabi Global Markets in the UAE, or any licensed financial institution in the UAE.

NOTICE TO GERMAN RESIDENTS

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy securities in Germany. No securities of LondonMetric are intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any persons in Germany. In Germany, this Prospectus is only made available for the benefit of shareholders of LondonMetric and shareholders of LXi and should not be made available to or acted or relied upon by any other person.

Date of this document

The date of this document is 6 February 2024.

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PART 1

SUMMARY

1. Introduction and warnings

a. Name and ISIN of securities

The ISIN of the Ordinary Shares is GB00B4FW713. The SEDOL of the Ordinary Shares is B4FW71. The ticker for the Ordinary Shares is LMP.

b. Identity and contact details of the issuer

Name: LondonMetric Property Plc (incorporated in England and Wales with registered number 07124797) (the “**Company**” or “**LondonMetric**”)
Registered Office: One Curzon Street, London, W1J 5HB
Tel: +44 (0) 20 7484 9000
Legal Entity Identifier (LEI): 213800OCERWWPQDURL87

c. Identity and contact details of the authority approving the prospectus

Name: Financial Conduct Authority
Address: 12 Endeavour Square, London, E20 1JN, United Kingdom
Tel: +44 (0) 20 7066 1000

d. Date of approval of the prospectus

6 February 2024

e. Warnings

This summary should be read as an introduction to this prospectus (the “**Prospectus**”). Any decision to invest in the Ordinary Shares to be issued in consideration for the ordinary shares of LXi REIT plc (“**LXi**”) pursuant to the proposed Merger of LondonMetric and LXi should be based on a consideration of the Prospectus as a whole by the prospective investor. The investor could lose all or part of the invested capital. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.

2. Key information on the issuer

a. Who is the issuer of the securities?

i. Domicile and legal form, LEI, applicable legislation and country of incorporation

The Company is a public limited company, registered and incorporated in England and Wales under the Companies Act 2006 (the “**Companies Act**”) on 13 January 2010 with registered number 07124797. The Company's LEI is 213800OCERWWPQDURL87. The Company together with its subsidiaries (the “**LondonMetric Group**”) is a UK Real Estate Investment Trust (“**UK-REIT**”) for the purposes of Part 12 of the Corporation Tax Act 2010 (and the regulations made thereunder) and the Company is the principal company of the UK-REIT group. The principal legislation under which the Company operates is the Companies Act.

ii. Principal activities

The principal activity of the LondonMetric Group is to invest in commercial property, namely distribution and grocery-led long income in the UK. The LondonMetric Group's objective is to own and manage desirable real estate that can deliver reliable, repetitive and growing income-led total returns and outperform over the long term. The LondonMetric Group's property portfolio comprises 300 properties as at 30 September 2023, all of which are located in the UK.

iii. Major Shareholders

So far as is known to the Company, as at 2 February 2024, being the latest practicable date prior to the publication of this document (the “**Latest Practicable Date**”), each of the following persons held, directly or indirectly, a percentage of the Company's voting rights that is notifiable pursuant to the Disclosure Guidance and Transparency Rules. The table below sets out: (i) the number of Existing Ordinary Shares held by each such person at the Latest Practicable Date; (ii) the percentage of ordinary share capital that holding represents at the Latest Practicable Date; and (iii) the percentage of the Enlarged Share Capital that holding is expected to represent immediately following completion of the Merger:

Name	Number of Existing LondonMetric Ordinary Shares held	% of existing share capital	% of ordinary Enlarged Share Capital*
Blackrock Group.**	87,888,433	8.04	4.32
Norges Bank Investment Management	61,775,880	5.65	3.03
The Vanguard Group, Inc.	56,805,587	5.19	2.79
Rathbone	54,639,391	5.00	2.68
Amerprise/Threadneedle Investments	46,762,044	4.28	2.30
Franklin Resources Inc	39,485,313	3.61	1.94
Legal & General Investment Management	36,099,323	3.30	1.77

* Assuming that the interest of the relevant Shareholder as at the Latest Practicable Date does not change, the maximum number of New Ordinary Shares (being 942,960,279) are issued pursuant to the Merger and not taking into account any holdings of LXi Ordinary Shares.

** BlackRock Group is the registered holder of 119,277,817 ordinary shares representing 10.91 per cent. of the issued share capital of the Company. BlackRock Group holds voting rights over 87,888,433 ordinary shares representing 8.04 per cent. of the issued share capital of the Company for the purposes of calculating BlackRock Group's total voting rights in accordance with LR 11.1.4A.

As at the Latest Practicable Date, the Company, the Directors and the Proposed Director are not aware of any other person who will or could, directly or indirectly, jointly or severally, exercise or could exercise control over the Company and the Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of LondonMetric.

iv. **Directors**

Andrew Jones (*Chief Executive*), Martin McGann (*Finance Director*), Alistair Elliott (*Chair*), Suzy Neubert (*Senior Independent Director*), Suzanne Avery (*Non-executive Director*), Robert Fowlds (*Non-executive Director*), Andrew Livingston (*Non-executive Director*) and Kitty Patmore (*Non-executive Director*) (together the “**Directors**”).

Proposed Director

Nick Leslau

v. **Statutory auditor**

Deloitte LLP of 1 New Street Square, London, EC4A 3HQ (“**Deloitte**”).

b. **What is the key financial information regarding the issuer?**

Investors should read the whole of this document and not rely solely on the summarised financial information set out in this section.

The LondonMetric Group

Table 1: Income statement

	Financial year ended 31 March 2023 (audited) (£m)	Half-year ended 30 September 2022 (unaudited) (£m)	Half-year ended 30 September 2023 (unaudited) (£m)
Revenue	146.7	71.9	77.2
Operating (loss)/profit	(473.6)	(236.2)	93.0
(Loss)/profit for the year/period and total comprehensive (expense)/income	(507.6)	(243.6)	81.9
IFRS earnings per share (p) – basic	(51.75)	(24.90)	8.01
EPRA earnings per share (p) – basic	10.33	5.14	5.25

Table 2: Balance sheet

	As at 31 March 2023 (audited) (£m)	As at 30 September 2022 (unaudited) (£m)	As at 30 September 2023 (unaudited) (£m)
Total assets	3,078.0	3,528.3	3,266.6
Total liabilities	1,082.8	1,249.0	1,044.1
Net assets	1,995.2	2,279.3	2,222.5

Table 3: Cash flow statement

	Financial year ended 31 March 2023 (audited) (£m)	Half-year ended 30 September 2022 (unaudited) (£m)	Half-year ended 30 September 2023 (unaudited) (£m)
Net cash flows from operating activities	133.0	69.5	56.4
Net cash flows from investing activities	(17.4)	(157.9)	137.6
Net cash flows from financing activities	(134.3)	82.9	(200.4)

There are no qualifications to Deloitte's audit report on the consolidated financial information of the LondonMetric Group for the year ended 31 March 2023 or to Deloitte's independent review report on the consolidated interim financial statements for the six-month period ended 30 September 2023.

The LXi Group

As the proposed Merger constitutes a reverse takeover for the purposes of the Listing Rules and in compliance with LR 13.3.1R, key summary financial information in relation to LXi together with its subsidiary and group undertakings (the “**LXi Group**”) for the years ended 30 March 2021, 30 March 2022 and 30 March 2023, and for the six-month periods ended 30 September 2022 and 30 September 2023 are set out below.

Table 1: Income statement

	Financial year ended 31 March 2021 (audited) (£m)	Financial year ended 31 March 2022 (audited) (£m)	Financial year ended 31 March 2023 (audited) (£m)	Half-year ended 30 September 2022 (unaudited) (£m)	Half-year ended 30 September 2023 (unaudited) (£m)
Rental income	42.8	58.5	203.5	75.5	128.3
Operating profit/(loss)	43.3	168.1	(207.9)	10.6	(32.6)
Profit/(loss) for the year/period and total comprehensive income/(loss)	39.9	162.0	(286.8)	(27.7)	(85.4)
IFRS earnings per share (p)	7.6	22.8	(19.2)	(2.3)	(4.9)
EPRA earnings per share (p)	6.4	6.1	8.3	3.6	4.1

Table 2: Balance sheet

	As at 31 March 2021 (audited) (£m)	As at 31 March 2022 (audited) (£m)	As at 31 March 2023 (audited) (£m)	As at 30 September 2022 (unaudited) (£m)	As at 30 September 2023 (unaudited) (£m)
Total assets	990.1	1,592.9	3,728.3	4,334.0	3,621.5
Total liabilities	208.7	292.2	1,620.2	1,885.8	1,625.8
Net assets	781.4	1,300.7	2,108.1	2,448.2	1,995.7

Table 3: Cash flow statement

	Financial year ended 31 March 2021 (audited) (£m)	Financial year ended 31 March 2022 (audited) (£m)	Financial year ended 31 March 2023 (audited) (£m)	Half-year ended 30 September 2022 (unaudited) (£m)	Half-year ended 30 September 2023 (unaudited) (£m)
Net cash flows from operating activities	28.9	51.4	169.7	88.3	89.2
Net cash flows from investing activities	(64.5)	(417.1)	(442.4)	(446.3)	14.6
Net cash flows from financing activities	109.3	351.1	274.6	380.8	(66.2)

There are no qualifications to BDO LLP's audit report on the consolidated financial information of the LXI Group for the years ended 31 March 2021, 31 March 2022 and 31 March 2023 or to BDO LLP's independent review report on the consolidated financial statements for the six-month period ended 30 September 2023.

The SIR Group

As the LXI Group itself undertook a reverse takeover in July 2022 and in compliance with LR 13.5.17A, key summary financial information in relation to Secure Income REIT plc ("SIR") together with its subsidiary and group undertakings (the "SIR Group") for the years ended 31 December 2020, 31 December 2021 and for the fifteen month period ended 31 March 2023 are set out below.

Table 1: Income statement

	Financial year ended 31 December 2020 (audited) (£m)	Financial year ended 31 December 2021 (audited) (£m)	Fifteen month period ended 31 March 2023 (audited) (£m)
Revenue	121.7	122.4	186.2
Operating (loss)/profit	(63.5)	246.8	288.8
Total comprehensive (loss)/income for the year/period	(112.2)	197.6	206.4
Earnings per share (p) – basic and diluted	(35.1)	61.6	62.4

Table 2: Balance sheet

	As at 31 December 2020 (audited) (£m)	As at 31 December 2021 (audited) (£m)	As at 31 March 2023 (audited) (£m)
Total assets	2,218.3	2,362.5	2,483.2
Total liabilities	996.8	992.7	932.6
Net assets	1,221.5	1,369.8	1,550.6

Table 3: Cash flow statement

	Financial year ended 31 December 2020 (audited) (£m)	Financial year ended 31 December 2021 (audited) (£m)	Fifteen month period ended 31 March 2023 (audited) (£m)
Net cash flows from operating activities	54.3	113.5	138.7
Net cash flows from investing activities	2.8	(30.4)	(1.3)
Net cash flows from financing activities	(104.6)	(104.3)	(299.0)

There are no qualifications to BDO LLP's audit report on the consolidated financial information of the SIR Group for the years ended 31 December 2020 and 31 December 2021 or to its accountant's report on the consolidated financial information of the SIR Group for the fifteen month period ended 31 March 2023.

Unaudited Pro Forma Financial Information: The unaudited pro forma income statement of the Combined Group (the "Unaudited Pro Forma Income Statement") has been prepared to illustrate the impact of the Merger as if it had been undertaken on 1 April 2023 and is based on the unaudited consolidated income statement of the LondonMetric Group for the six-month period ended 30 September 2023 and the unaudited consolidated income statement of the LXI Group for the six-month period ended 30 September 2023.

The unaudited pro forma statement of net assets of the LondonMetric Group and the LXI Group after the Merger has taken effect (the "Combined Group") (the "Unaudited Pro Forma Statement of Net Assets") has been prepared to illustrate the impact of the Merger as if it had been undertaken on 30 September 2023 and is based on the unaudited consolidated balance sheet of the LondonMetric Group as at 30 September 2023 and the unaudited consolidated balance sheet of the LXI Group as at 30 September 2023.

The Unaudited Pro Forma Income Statement and the Unaudited Pro Forma Statement of Net Assets (together, the "Unaudited Pro Forma Financial Information"), which have been produced for illustrative purposes only, by their nature address a hypothetical situation and, therefore, do not represent the LondonMetric Group's or the Combined Group's actual financial position or results.

The Unaudited Pro Forma Financial Information is presented on the basis of the accounting policies adopted by LondonMetric in preparing the unaudited consolidated financial statements for the six-month period ended 30 September 2023 and in accordance with Annex 20 of the UK version of Commission Delegated Regulation (EU) 2019/980.

As at 30 September 2023, the Combined Group's unaudited consolidated pro forma net assets was £4,188.6 million. The unaudited consolidated pro forma comprehensive income of the Combined Group for the six-month period ended 30 September 2023 was £189.8 million.

c. What are the key risks that are specific to the issuer?

- There can be no guarantee that the strategic and investment objectives of the Combined Group are appropriate for the current economic climate or market cycle, or that they will be met. The results of the Combined Group's operations and the payment and level of future dividends will depend, amongst other things, on the availability of opportunities for the acquisition or disposal of assets, the level and volatility of interest rates, readily accessible funding alternatives, conditions in the financial markets, general economic conditions and the ability of management to manage potential threats to and to implement and adapt the Combined Group's strategy.
- The Combined Group's business and performance will depend on, and may be materially adversely affected by, general property and investment market conditions, including inflationary pressures and geopolitical risks, as well as conditions specific to the Combined Group's investments such as decreases in capital values and weakening of rental yields. The Combined Group's ability to dispose of its properties, and the price realised for any such disposals, will also depend on the general conditions affecting the investment market at the time of the disposal.
- The Combined Group's exposure to the creditworthiness of any one tenant may mean that the Company's performance is significantly affected by events outside its control that impact that tenant, such as a downturn in the UK economy, bankruptcy or insolvency, which could result in a significant loss of rental income, void costs, bad debts and a decrease in the value of the Combined Group's property portfolio. The risk of exposure to the creditworthiness of any one tenant is expected to increase immediately following the Merger.
- Market conditions and competition from other property investors may delay or prevent the Combined Group from making appropriate investments on a timely basis that generate attractive or acceptable returns. Consequently, adverse market conditions have historically had a significant negative impact on the availability of credit, property pricing and liquidity levels. Adverse market conditions may have a material adverse effect on the Combined Group's net asset value or its ability to make distributions to Shareholders.
- As property assets are relatively illiquid, the Combined Group may be unable to adjust its portfolio in response to market conditions or trends in a timely fashion and at satisfactory prices. If the Combined Group were required to dispose of or liquidate an investment on unsatisfactory terms, it may realise less than the value at which the investment was previously recorded, which could result in a decrease in net asset value, which may in turn have a negative impact on the Combined Group's business.
- The valuation of property and property related assets is inherently subjective and uncertain, in part because property valuations are made on the basis of assumptions which may not prove to be accurate, and, in part because of the individual nature of each property. Valuations of the Combined Group's investments may not reflect actual sale prices even where a sale occurs shortly after the relevant valuation date.
- The Combined Group is exposed to risks relating to its indebtedness in the longer term and its level of gearing which, if such risks materialise, could have a material adverse effect on the Company's ability to make distributions to Shareholders. LondonMetric Group's incurrence of floating rate debt will expose it to risks associated with movements in interest rates.
- The Combined Group is subject to the risk of contracting counterparties (primarily providers of capital to the Combined Group or tenants) failing to meet their obligations.
- The Combined Group is reliant on the performance and retention of key personnel.
- There is no guarantee that the Combined Group will maintain UK-REIT status. If the Combined Group fails to comply with all UK-REIT conditions HMRC may require it to exit the UK-REIT regime. A loss of UK-REIT status would cause the Combined Group's rental income and gains to be subject to UK tax and could reduce reserves available for distributions to Shareholders and the yield on the Ordinary Shares.
- If the Merger completes, the process of integrating LXi and its subsidiaries may create unforeseen operational difficulties and expenditure and pose management, administrative and financial challenges. Specifically, integrating operations it may prove more difficult and/or expensive than anticipated and may require significant time and effort on the part of the Company and management. Such difficulties could have an adverse effect on the Company's financial condition and results of operations.

3. Key information on the securities

a. What are the main features of the securities?

i. Type, class and ISIN of the securities being admitted to trading on a regulated market

The securities being issued by the Company are ordinary shares of 10 pence each (the "**Ordinary Shares**"). The ISIN of the Ordinary Shares is GB00B4WFW713.

ii. Currency, denomination, par value, number of securities issued and term of the securities

The Ordinary Shares are denominated in pounds sterling and have a nominal value of 10 pence each. The Ordinary Shares have no fixed term.

Subject to the Merger becoming effective, up to 942,960,279 Ordinary Shares will be issued ("**New Ordinary Shares**").

iii. Rights attached to the securities

The New Ordinary Shares will, when issued, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

The Ordinary Shares carry the right to receive notice of, attend and vote at general meetings of the Company.

On a winding-up or a return of capital by the Company, the net assets of the Company shall be divided *pro rata* among the holders of the Ordinary Shares.

The consent of the holders of the Ordinary Shares will be required for the variation of any rights attached to the Ordinary Shares. The Ordinary Shares are not redeemable.

iv. **Relative seniority of the securities in the event of insolvency**

On a winding-up or a return of capital by the Company, the net assets of the Company shall be divided *pro rata* among the holders of the Ordinary Shares.

v. **Restrictions on free transferability of the securities**

The Ordinary Shares are freely transferrable subject to the following restrictions which are contained in the Articles: (i) the Board may decline to recognise any instrument or transfer unless it is: in respect of only one class of shares; in favour of not more than four joint transferees; duly stamped (if required); not in favour of a minor, infant, bankrupt or person with mental disorder; and lodged at the registered office of LondonMetric accompanied by the certificate for the shares to be transferred and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) the Board may refuse to register any transfer of a certificated share which is not fully paid; and (iii) the Board may, in circumstances permitted by the FCA and the London Stock Exchange, disprove a transfer of any share, provided that exercise of such powers does not disturb the market in the shares.

The making of the proposed offer of New Ordinary Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom, may be affected by the law or regulatory requirements of the relevant jurisdiction, which may include restrictions on the free transferability of such New Ordinary Shares.

vi. **Dividend policy**

The Company has a progressive dividend policy. It is the intention of the Directors and the Proposed Director that the Company will pay dividends from surplus income to the extent that such income is distributable in line with its dividend policy. Where opportunities exist that fit the LondonMetric Group's strategy, the LondonMetric Group may reinvest disposal proceeds.

The Company is required to meet a minimum distribution test for each year that it is the principal company of a group UK-REIT. This minimum distribution test requires the Company to distribute 90 per cent. of the income profits of the property rental business for each year. The issue of scrip dividends counts towards the minimum distribution test. The Board continues to believe that a continuation of LondonMetric's dividend policy of recent years will enable the Company to continue to meet this minimum distribution requirement.

There can be no guarantee as to the amount of any dividend payable by the Company.

For the half year to 30 September 2023, the Company declared a total dividend of 4.8 pence per share which was an increase of 4.3 per cent. on the previous half year and 109 per cent. covered by EPRA earnings per share.

LondonMetric Shareholders will be entitled to receive and retain LondonMetric's third quarterly dividend in respect of the quarter ended 31 December 2023 (the "**LondonMetric Third Quarterly Interim Dividend**"), which is expected to be declared on 22 February 2024 and is due to be paid on 8 April 2024 to LondonMetric Shareholders on LondonMetric's register of members at the close of business on 1 March 2024. Based on the expected dividend payment timetable only existing LondonMetric Shareholders will be entitled to this dividend.

In addition, for each subsequent calendar quarter which ends before the Effective Date, LondonMetric Shareholders will also be entitled to receive any quarterly dividend announced, declared or paid by LondonMetric in respect of such period in the ordinary course and consistent with past practice of LondonMetric as to amount. Any dividend that is permissible under this criteria is a "**LondonMetric Permitted Dividend**". LondonMetric will only declare a LondonMetric Permitted Dividend if LXi declares a LXi Permitted Dividend (as defined below) and LondonMetric will ensure that the record date of any LondonMetric Permitted Dividend will be set sufficiently prior to the Scheme Record Time, such that LXi Shareholders will not be entitled to receive that LondonMetric Permitted Dividend in addition to the relevant LXi Permitted Dividend. Save in respect of the LondonMetric Third Quarterly Dividend and a LondonMetric Permitted Dividend, LondonMetric has agreed not to authorise, declare, make or pay any dividend or other distribution per Ordinary Share per quarter on or after the date of the Announcement and prior to the Effective Date.

Based on the expected timetable for the Merger to become Effective, LXi Shareholders who retain their New Ordinary Shares following completion of the Merger would receive the LondonMetric fourth quarterly interim dividend in respect of the Combined Group for the quarter ending 31 March 2024, which is expected to be paid in July 2024. It is anticipated that the value of the dividend received by such LXi Shareholders in respect of their New Ordinary Shares for the quarter ending 31 March 2024 would be approximately equivalent to the value of the quarterly dividend paid by LXi in respect of the corresponding holding of LXi Ordinary Shares in each of the first three quarters of the financial year ending 31 March 2024, with LondonMetric targeting a dividend increase of 7.4 per cent. to 10.2p per share for the financial year ending 31 March 2024.¹

Following the Effective Date, the Company will continue to adopt a progressive dividend policy, increasing the level of dividends paid as its earnings grow. The Directors and the Proposed Director expect that the dividend will continue to be paid quarterly and that a scrip alternative will continue to be offered.

b. **Where will the securities be traded?**

The existing 1,093,559,368 Ordinary Shares (the "**Existing Ordinary Shares**") are listed in the premium segment of the Official List and are admitted to trading on the Main Market.

Applications will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market, respectively ("**Admission**").

It is expected that Admission will become effective and that unconditional dealings on the London Stock Exchange in the New Ordinary Shares will commence at 8.00 a.m. (London Time) on 6 March 2024. No application is currently intended to be made for New Ordinary Shares to be admitted to listing or dealt with on any other exchange.

c. **What are the key risks that are specific to the securities?**

- LondonMetric is unable to predict whether the New Ordinary Shares issued will be able to be sold in the open market. Any sales of substantial amounts of New Ordinary Shares in the public market, or the perception that such sales might occur, could materially adversely affect the market price of the Ordinary Shares.
- The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the stock market regarding the Ordinary Shares or securities similar to them (both in connection with the market approval of its current strategy or if the Combined Group's operating results and prospects from time to time are below the expectations of market analysts and investors) or in response to various facts and events, including any regulatory changes affecting the Combined Group's operations, half yearly or yearly operating results or business developments of the Combined Group or its competitors.

¹ This is a target and not a profit forecast.

- The market price of the Ordinary Shares may be subject to material fluctuations in response to general stock market fluctuations and economic conditions or changes in political sentiment that may adversely affect the market price of the Ordinary Shares, regardless of the Combined Group's actual performance or prevailing conditions in its key markets.
- If LondonMetric elects to increase its capital it may require further equity financing, which may be dilutive to the Company's existing Shareholders. LondonMetric may also issue new Ordinary Shares in the future pursuant to a share option plan, or for certain other purposes, which may dilute Shareholders' equity.

4. Key information on the admission to trading on a regulated market

a. Under which conditions and timetable can I invest in this security?

i. General terms and conditions

Under the terms of the Merger, which will be subject to the conditions set out in the scheme document published by LXi dated 6 February 2024, shareholders of LXi ("**LXi Shareholders**") will be entitled to receive from LondonMetric:

0.55 New Ordinary Shares for each LXi Ordinary Share (the "Exchange Ratio")²

On the basis of the "**Closing Price**" (being the middle market quotation of a share derived from the Daily Official List on any particular date) per Ordinary Share of 197.4 pence on 15 December 2023 (the last Business Day prior to the commencement of the offer period) (the "**Undisturbed Closing Price**"), the Merger values the entire issued and to be issued ordinary share capital of LXi at approximately £1.9 billion and:

- represents a premium of approximately 9 per cent. to the Undisturbed Closing Price per LXi Share of 99.5 pence;
- represents a premium of approximately 13 per cent. to the volume weighted average Closing Price per LXi Share for the one-month period ended on 15 December 2023 of 95.7 pence; and
- implies an NTA discount of 4 per cent. based on each of the LondonMetric and LXi Rolled-Forward Unaudited EPRA NTAs³.

The LXi Ordinary Shares will be acquired pursuant to the Merger fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto.

Applications will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares will commence at 8.00 a.m. (London Time) on 6 March 2024.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions (if any) declared, paid or made by LondonMetric by reference to a record date falling after the Effective Date.

ii. Expected Timetable

Announcement of the proposed Merger	11 January 2024
Publication of this document and the Scheme Document	6 February 2024
Latest time for lodging forms of proxy for the LXi Court Meeting	10.00 a.m. on 23 February 2024
Latest time for lodging forms of proxy for the LXi General Meeting	10.15 a.m. on 23 February 2024
Latest time and date for receipt of proxy appointments for the LondonMetric General Meeting	2.30 p.m. on 23 February 2024
Record time for the LXi Court Meeting and the LXi General Meeting	6.00 p.m. on 23 February 2024
Record time for LondonMetric General Meeting	6.00 p.m. on 23 February 2024
LXi Court Meeting	10.00 a.m. on 27 February 2024
LXi General Meeting	10.15 a.m. on 27 February 2024
LondonMetric General Meeting	2.30 p.m. on 27 February 2024
Scheme Sanction Hearing	4 March 2024
Scheme Record Time	6.00 p.m. on 4 March 2024
Last day of dealings in, and for registration of transfers of, and disablement in CREST of LXi Ordinary Shares	4 March 2024
"Effective Date" of the Merger	5 March 2024
New Ordinary Shares issued to LXi Shareholders	by 8.00 a.m. on 6 March 2024
Delisting of LXi Ordinary Shares	8.00 a.m. on 6 March 2024
Admission and commencement of dealings in New Ordinary Shares	8.00 a.m. on 6 March 2024
Despatch of share certificates for New Ordinary Shares and despatch of cheques, or settlement through CREST	Within 14 days of the Effective Date
Long-stop Date	11 July 2024

iii. Details of admission to trading on a regulated market

The Existing Ordinary Shares are listed in the premium segment of the Official List and are admitted to trading on the Main Market. Applications will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market, respectively. It is expected that Admission will become effective and that unconditional dealings on the London Stock Exchange in the New Ordinary Shares will commence at 8.00 a.m. (London Time) on 6 March 2024. No application is currently intended to be made for New Ordinary Shares to be admitted to listing or dealt with on any other exchange.

iv. Plan for distribution

Under the terms of the Merger, LXi Shareholders will be entitled to receive 0.55 New Ordinary Shares for each LXi Ordinary Share and LondonMetric will issue up to 942,960,279 New Ordinary Shares pursuant to the Merger.

² The Exchange Ratio is based on an adjusted NTA to adjusted NTA approach, taking into account the fair value of debt and derivatives, potential liabilities in respect of German taxation and the termination of LXi's management contract.

³ When applying the Exchange Ratio to the LondonMetric Rolled-Forward Unaudited EPRA NTA.

v. **Amount and percentage of immediate dilution resulting from the issue**

Subject to the Merger becoming Effective, up to 942,960,279 New Ordinary Shares will be issued. This will result in LondonMetric's issued share capital increasing by approximately 86 per cent. to 2,036,519,647 Ordinary Shares (the "**Enlarged Share Capital**"). If the Merger becomes Effective, Shareholders will suffer an immediate dilution as a result of the Merger following which they will hold approximately 54 per cent. of the Enlarged Share Capital. Assuming that the maximum number of New Ordinary Shares are issued to LXi Shareholders, each LondonMetric Shareholder will be diluted by up to approximately 46 per cent.

vi. **Estimate of the total expenses of the issue**

The total costs and expenses of, and incidental to, the Merger and Admission payable by the Company, are estimated to amount to approximately £20.2 million (excluding applicable stamp duty or any irrecoverable VAT). The estimated amount of stamp duty payable by LondonMetric pursuant to the Merger is expected to be approximately £9.4 million.

vii. **Estimated expenses charged to the investor**

There are no commissions, fees or expenses to be charged to investors by the Company.

b. **Why is this prospectus being produced?**

i. **Reasons for the issue**

This Prospectus has been prepared in connection with the proposed Admission of the New Ordinary Shares to be issued by LondonMetric in order for LondonMetric to acquire the entire issued and to be issued ordinary share capital of LXi thereby effecting a merger of the LondonMetric Group and the LXi Group (the "**Merger**").

The Directors and the board of directors of LXi (the "**LXi Directors**") believe that the Merger will build on the strengths and strong track records of both companies to create a new major UK-REIT, aligned to structurally supported sectors with high barriers to entry and income security, with a low cost base, better access to capital through greater scale and enhanced scope for capital recycling and asset management to drive compounding income growth and total returns for shareholders. Specifically, the Merger would result in:

- **The creation of a new major UK-REIT**, with the Combined Group having an EPRA NTA of approximately £4.1 billion, becoming the fourth largest UK-REIT, providing better access to capital and increasing share liquidity;
- **The establishment of a UK-focused triple net lease REIT of scale**, with a highly efficient structure delivering reliable, repetitive and growing income through the cycle. The Combined Group will be structured to continue both companies' long track records of dividend growth, with LondonMetric currently on track for a ninth consecutive year of dividend progression;
- **The formation of a combined £6.2 billion portfolio aligned to structurally supported sectors**, with 93 per cent. exposure to the logistics, healthcare, convenience, entertainment and leisure sectors, and with a strong exposure to key operating assets that are mission critical to the occupiers' businesses;
- **Greater scope for capital recycling and superior access to new, larger investment opportunities**, building on LondonMetric's track record of acquisitions, disposals and M&A (£2.8 billion of transactions completed since the start of 2020), and the expectation that the Combined Group's greater scale and liquidity will confer a competitive advantage in pursuing possible transactions;
- **Substantial cost and operating synergies**,⁴ driving faster earnings growth combined with dividend progression through economies of scale, the removal of duplicative costs and increased operating margins and efficiencies, targeting an EPRA cost ratio of 7 to 8 per cent. in the medium term;
- **Leadership by a highly regarded management team with strong shareholder alignment**, with the Combined Group drawing on the strengths of both companies under the leadership of LondonMetric's highly experienced board and senior management team to create a leading internal management platform holding material shareholdings with deep market knowledge and strong occupier relationships. The Combined Group will benefit from a highly disciplined approach to capital allocation through pursuing identified opportunities within the combined portfolio for asset and investment management, recycling capital and seizing new and accretive growth opportunities;
- **Strong income longevity and security**, with a sector leading WAULT of 19 years on FRI leases, 99 per cent. occupancy and high quality occupier covenants. Strong income compounding prospects will be delivered through index-linked and fixed uplift leases (which together total 80 per cent. of the rent roll) and reversionary open market rent reviews (20 per cent. of the rent roll) in sectors that enjoy high barriers to entry and strong levels of occupier demand;
- **Delivery of a Combined Group with a resilient capital structure**, with well staggered debt maturities and a conservative loan to value ratio of approximately 31 per cent., on a pro forma basis taking into account LXi's announced £210 million disposal of Travelodge assets⁵, with weighted average cost of debt of 3.9 per cent., weighted average debt maturity of 5.6 years and, following the arrangement of £700 million of unsecured debt facilities to replace £625 million of secured LXi facilities, £740 million of undrawn headroom;
- **Enhanced and robust credit characteristics**, with improved credit metrics including net debt/EBITDA of 7.2 times and an interest coverage ratio of 3.8 times as at 30 September 2023; a conservative financial policy combined with increased scale puts the Combined Group firmly on the path of a strong investment grade credit rating thereby enhancing access to a broader range of funding sources; and
- **The bringing together of two highly complementary strategic approaches**, with a key focus on income compounding, with reliable, repetitive and growing income underpinning a progressive dividend policy with a strong management platform to access new opportunities and deliver enhanced total shareholder returns.

ii. **The use and estimated net amount of the proceeds**

There are no proceeds receivable by the Company as a result of the issue of New Ordinary Shares pursuant to the Merger.

iii. **Underwriting**

The issue of New Ordinary Shares is not being underwritten.

iv. **Material conflicts of interest**

There are no material conflicts of interest pertaining to the Merger or Admission.

⁴ The statement regarding cost and operating synergies resulting from the Merger is not intended as a quantified financial benefit statement and should not be construed as such and is not subject to the requirements of Rule 28 of the Code. The statement should not be interpreted to mean that the cost and operating synergies will necessarily result in a quantifiable benefit to the Combined Group. The statement regarding the targeted EPRA cost ratio is a target and not a profit forecast.

⁵ Excluding the impact of disposal costs.

PART 2

RISK FACTORS

Any investment in Ordinary Shares involves risk. Prior to investing in Ordinary Shares, prospective investors should carefully consider the risks associated with any investment in securities and, in particular, all the information in this document, including the risks described below. The risks set out below do not purport to be a complete list or explanation of all the risks involved in investing in the Ordinary Shares or which may adversely affect the LondonMetric Group's or, following the Merger, the Combined Group's business, but are those which the Directors and the Proposed Director are aware of and which they consider material. However, additional risks and uncertainties not currently known to the Directors and the Proposed Director or that the Directors and the Proposed Director currently consider immaterial, may also adversely affect the LondonMetric Group's or, following the Merger, the Combined Group's business, results of operations, financial condition and prospects. If any or a combination of the following risks materialise, the LondonMetric Group's and, following the Merger, the Combined Group's business, financial condition and/or operational performance could be materially adversely affected. In that case, the trading price of the Ordinary Shares may decline and investors may lose all or part of the value of their investment. You should consider carefully whether an investment in the Ordinary Shares is suitable for you in light of the information in this document and your personal circumstances.

Prospective investors should note that the risks relating to the LondonMetric Group and, following the Merger, the Combined Group, its industry and the Ordinary Shares summarised in the section of this document entitled "Summary" are the risks that the Directors and the Proposed Director believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the LondonMetric Group and, following the Merger, the Combined Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the additional risks and uncertainties described below.

An investment in Ordinary Shares is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. Accordingly, prospective investors are recommended to obtain independent financial advice from an adviser authorised under the FSMA (or another appropriately authorised independent professional adviser) who specialises in advising upon investments in shares or other securities.

As required by the Prospectus Regulation, the risk that the Directors and the Proposed Director consider to be the most material risk in each category, taking into account the negative impact on the Company and the probability of its occurrence, has been set out first. Given the forward-looking nature of the risks, there can be no guarantee that any such risk is, in fact, the most material or the most likely to occur. Investors should, therefore, review and consider each risk.

RISKS RELATING TO THE COMBINED GROUP AND ITS BUSINESS

There is no guarantee that the strategic and investment objectives of the Combined Group will be met

The Company's investment strategy is focused on owning quality assets in selected sectors that are underpinned by strong and growing income. There can be no guarantee that the assets owned by the Combined Group, or the sectors in which the Combined Group has invested, are appropriate for the current economic climate or market cycle, or that the strategic and investment objectives of the Combined Group will be met. The results of the Combined Group's operations and the payment and level of future dividends will depend, amongst other things, on the availability of opportunities for the acquisition or disposal of assets, the level and volatility of interest rates, readily accessible funding alternatives, conditions in the financial markets, general economic conditions and the ability of the management team to manage potential threats and to implement and adapt the Combined Group's strategy to changes in the economic climate or market cycle. There can be no assurance that any dividends will be paid in respect of any financial year or period and no guarantee as to the level of any future dividends to be paid by the Company. Any failure to meet the Combined Group's strategic and investment objectives could have a material adverse effect on the Combined Group's NAV or its ability to make distributions to Shareholders.

The Group's performance will be subject to property market and economic conditions in the UK and, following the Merger, Germany

All of the LondonMetric Group's assets are invested in UK property and, immediately following the Merger, the majority of the Combined Group's assets will continue to be invested in predominantly UK property, with approximately 2.3 per cent. by value invested in two co-located German properties. Accordingly, the Company's performance will be subject to, among other things, the conditions of the property markets in the UK and to a lesser extent, following the Merger, Germany, which will affect both the value of any assets that the Combined Group owns and the income these assets produce.

The value of assets and the income produced will be impacted by the general macro-economic climate and the conditions of the real estate property markets in the UK and Germany. Declines in the performance of the UK or German economies and/or property markets could have a negative impact on investment, consumer spending, levels of employment, rental revenues and vacancy rates and, as a result have a material adverse impact on the Company's financial condition, business, prospects and results of operations.

The possibility of continued high inflation also poses a risk to the LondonMetric Group and, following the Merger, the Combined Group. Though inflation has fallen in recent months, inflationary pressures continue to impact the UK and German economies and are expected to remain elevated for the foreseeable future. While inflationary conditions may present an opportunity for the Combined Group, with around 48 per cent. of the Property Portfolio and 98 per cent. of the LXi Portfolio currently benefiting from contractual inflation-linked rent reviews, higher inflation over the longer term may cause rents in the portfolio to exceed market levels, causing a significant softening of valuation yields. In addition, where leases in the portfolio contain capped rental uplifts, high rates of inflation may cause rent reviews to cap out at maximum values, causing rental uplifts to fall behind inflation.

Economic conditions in the UK and Germany may be affected by geopolitical events outside of the Company's control. In particular, the conflict in the Middle East, together with the ongoing war in Ukraine and tensions with China have added volatility into the financial markets, and the Company continues to navigate uncertainty over interest rates, persistent inflationary pressures and concerns about future growth. The extent and duration of such events, resulting sanctions and future market disruptions are impossible to predict but may be significant.

In addition to the impact from the general economic climate, the property markets and prevailing rental rates in the UK and Germany may also be affected by factors such as an excess supply of properties, a fall in the general demand for rental property, reductions in tenants' and potential tenants' space requirements, the availability of credit and changes in laws and governmental regulations (both domestic and international), including those governing real estate usage, zoning and taxes, all of which are outside of the Company's control.

These factors, including any property market downturn or future deterioration in the property market could, *inter alia* (i) make it harder for the Combined Group to attract new tenants for its properties; (ii) lead to tenant defaults; (iii) lead to a lack of finance available to the Combined Group; (iv) cause the Combined Group to realise its investments at lower valuations than commercially desirable; or (v) delay the timings of the Combined Group's realisations. Any of the foregoing could have a material adverse effect on the ability of the Company to achieve its investment objective, on the NAV and on the market price of the Ordinary Shares.

A default by a major tenant or a significant number of tenants in the Property Portfolio could result in a significant loss of rental income, void costs, a reduction in asset value and increased bad debts

The Combined Group's revenue is derived from rent received from tenants operating across a number of sectors. The LondonMetric Group's top ten tenants accounted for 25 per cent. of its rent roll as at 30 September 2023. The LXi Group's top three tenants accounted for 55 per cent. of its rent roll as at 30 September 2023.

Greater exposure to the creditworthiness of any one tenant may mean that the Company's performance is significantly affected by events outside its control that impact that tenant. A downturn in the UK economy, bankruptcy or insolvency could force the Combined Group's tenants to default on their rental obligations, including obligations to renovate and repair, and/or vacate their premises. Such a default, in particular by several of the Combined Group's tenants could result in a significant loss of rental income, void costs, an

increase in operating expenses and bad debts, and a decrease in the value of the Property Portfolio. The risk of exposure to the creditworthiness of any one tenant is expected to increase immediately following the Merger, with the Combined Group's exposure to certain individual tenants (calculated as a percentage of the Combined Group's aggregate portfolio) expected to be higher than the LondonMetric Group's current percentage exposure to individual tenants.

Market conditions and competition from other property investors may delay or prevent the Combined Group from making appropriate investments that generate attractive returns

Market conditions and competition from other property investors may have a negative impact on the Combined Group's ability to identify and execute investments in suitable assets on a timely basis that generate acceptable returns. Adverse market conditions have historically had a significant negative impact on the availability of credit, property pricing and liquidity levels. Lenders have also tightened their lending criteria, lending at lower multiples of income and lowering LTV ratios which could impact the Combined Group in the longer term as it expects to finance acquisitions through borrowings. Competitors may have greater financial resources than the Combined Group and a greater ability to borrow funds to acquire properties. Competition in the property market may also lead either to an over-supply of property through over-development or higher prices being driven up through competing bids by potential purchasers. Depressed market conditions may also restrict the supply of suitable assets that may generate acceptable returns leading to increased competition for such assets, and adverse market conditions may lead to increasing numbers of tenant defaults. Adverse market conditions and their consequences may have a material adverse effect on the Combined Group's NAV or its ability to make distributions to Shareholders.

Market conditions could affect the Combined Group's ability to adjust its Property Portfolio strategically

Whilst the Combined Group is not a limited life company and is under no obligation to sell its assets within a fixed time frame, there can be no assurance that, at the time it seeks to dispose of its assets, conditions in the relevant market will be favourable or that it will be able to maximise the returns on such disposed assets. As property assets are relatively illiquid, such illiquidity may affect the Combined Group's ability to adjust, dispose of or liquidate its portfolio in a timely fashion and at satisfactory prices. To the extent that market conditions are not favourable, the Combined Group may not be able to dispose of property assets at a gain. If the Combined Group were required to dispose of or liquidate an investment on unsatisfactory terms, it may realise less than the value at which the investment was previously recorded, which could result in a decrease in NAV and this may have a negative impact on the Combined Group's business and results of operations. As a result of the foregoing, there can be no assurances that the Property Portfolio can generate attractive returns for its Shareholders.

Further, in acquiring a property, the Combined Group may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. In addition, in circumstances where the Combined Group purchases properties when capitalisation rates are low and purchase prices are high, the value of its properties may not increase over time. This may restrict the Combined Group's ability to sell its properties, or it may sell such property at a loss.

Property valuation is inherently subjective and uncertain

The valuation of the Combined Group's property and property-related assets is inherently subjective and uncertain, in part because property valuations are made on the basis of assumptions which may not prove to be accurate, and, in part because of the individual nature of each property. Property valuations are complex and may involve the consideration of data which is not publicly available. In determining the market values of properties, valuers are required to make certain assumptions in respect of matters including, but not limited to, the existence of willing buyers and sellers (including in uncertain market conditions), title, condition of structure and services, deleterious materials, plant and machinery and goodwill, environmental matters, statutory requirements and planning, expected future rental revenues from the property, market-based yields and other information. In respect of properties which may require development, redevelopment or refurbishment, the valuers make assumptions as to the achievability of the development, the timescale, and the future development cost. Assumptions are also made as to finance rates and profit and/or discount rates, in determining the property valuation, alongside comparable market evidence where appropriate. Such assumptions may prove to be inaccurate or flawed. This is particularly so where there has been more limited transactional activity in the market against which the Combined Group's property valuations can be

benchmarked by valuers. Valuations of the Combined Group's investments may not reflect actual sale prices even where any such sales occur shortly after the relevant valuation date.

The Combined Group may invest in properties through investments in various property-owning vehicles, and may in the future utilise a variety of investment structures for the purpose of investing in property. Where a property or an interest in a property is acquired through a company or investment structure, the value of the company or investment structure may not be the same as the value of the underlying property due, for example, to tax, contingent, contractual or other liabilities, or structural considerations. As a result, there can be no assurance that the value of investments made through those structures will fully reflect the value of the underlying property.

Property investment performance can fluctuate over time and values can increase or decrease, as demonstrated by the recalibration of valuations experienced by many sub-sectors of the real estate market in the 18-month period before the date of this document as a result of market movement with rising interest rates and lower transaction volumes. Economic, political, fiscal and legal issues can affect values as they can with any other investment. The Combined Group's portfolio will be valued on each valuation date by a professional external valuer as may be appointed by the Company from time to time. To the extent valuations of the Combined Group's properties do not fully reflect the value of the underlying properties, whether due to the above factors or otherwise, this may have a material adverse effect on the Combined Group's financial condition, business, prospects and results of operations. It may also adversely affect the ability of the Combined Group to secure financing on acceptable terms.

The Company's incurrence of floating rate debt will expose it to risks associated with movements in interest rates

The LondonMetric Group and the LXI Group have incurred debt with interest payable based on SONIA or other fluctuating base rates. Whilst the Combined Group hedges its interest rate exposure on such borrowings, such measures may not be sufficient to protect the Company from risks associated with movements in prevailing interest rates, to the extent that the interest rate risk on such borrowings is unhedged or such hedges are inadequate to fully protect against interest rate fluctuations. Increased exposure to interest rate movements may have a material adverse effect on the Company's results of operations.

The Combined Group is exposed to risks relating to its indebtedness in the longer term and its level of gearing

It is likely that the Combined Group will part use its existing cash resources and incur additional borrowings to finance additions to the Property Portfolio. On completion of the Merger the Combined Group will have cash, significant undrawn facilities and a modest level of leverage. Lack of access to debt or on more expensive terms may in the longer term adversely affect the net revenue of the Combined Group.

The Combined Group's ability to generate sufficient cash flow to make scheduled interest payments on its indebtedness in the longer term and the Combined Group's ability to refinance its indebtedness when due will depend on its future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside the Combined Group's control. The first significant maturity of the LXI Group's financing facilities is the £63.0 million drawn under the LXI L&G Facility due to be repaid in September 2025 and the £290.9 million drawn under the LXI AIG Facility due to be repaid in October 2025.

If in the future the Combined Group's gearing level increases, the volatility of the Combined Group's financial performance may increase and the effect of any change in the valuation of the Combined Group's assets on its financial position and results of operations may be amplified. Shareholder returns will increase through the use of gearing where the value of the Combined Group's underlying assets is rising but will decrease where the underlying asset value is falling.

Additionally, in the event that the rental income of the Property Portfolio falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such fall on the net revenue of the Combined Group. Moreover, in circumstances where the value of the Combined Group's assets is declining, the use of borrowings by the Combined Group may depress its NAV.

Each of the foregoing events could have a material adverse effect on the Combined Group's ability to make distributions to Shareholders.

The Combined Group's performance will depend on its ability to manage its property assets successfully

Revenues earned from, and the capital value and disposal value of, properties held by the Combined Group may be materially adversely affected by a number of factors inherent in property investment, including, but not limited to:

- decreased demand by potential tenants for properties;
- inability to recover operating costs such as local taxes and service charges on vacant space;
- exposure to the creditworthiness of tenants, including the inability to collect rent and other contractual payments from tenants (which includes the risk of tenants defaulting on their obligations and seeking the protection of bankruptcy laws), which could result in delays in receipt of rental and other contractual payments, the re-negotiation of tenant leases on terms less favourable to the Combined Group, or the termination of tenant leases;
- material declines in rental values;
- defaults by a number of tenants with material rental obligations (including pre-let obligations) or a default by a significant tenant at a specific property that may hinder or delay the sale of such property;
- material litigation with tenants;
- material expenses in relation to the construction of new tenant improvements and re-letting a relevant property, including the provision of financial inducements to new tenants such as rent free periods; and
- increases in operating and other expenses or cash needs without a corresponding increase in turnover or tenant reimbursements, including as a result of increases in the rate of inflation if it exceeds rental growth, property taxes and other statutory charges, insurance premiums and other void costs, and unforeseen capital expenditure affecting the properties which cannot be recovered from tenants.

If the Combined Group's revenues earned from tenants, or the value of its properties are adversely impacted by the above or other factors, the Combined Group's business prospects, results of operations and cash flows may be materially adversely affected.

The Combined Group is reliant on the performance and retention of key personnel

The LondonMetric Group is, and, following the Merger, the Combined Group will be, internally managed and will rely on its executive management team and their experience, skill and judgment, in identifying, selecting and negotiating the acquisition of suitable investment opportunities. The Combined Group will also rely on the Directors to manage the day-to-day affairs of the Combined Group. There can be no assurance as to the continued service of these individuals as directors and employees of the Combined Group. The departure of any of these individuals from the Combined Group without adequate replacement may have a material adverse effect on the Combined Group's business prospects and results of operations. There may be an inability to attract, motivate and retain high calibre personnel.

Environmental issues and regulations could create liabilities for the Combined Group

As the owner of real property, the LondonMetric Group is and, following the Merger, the Combined Group will be subject to risks relating to climate change, either directly or through regulatory changes, which may increase costs and/or impact the value of the portfolio.

Direct risks include the risk of physical damage to the property assets in the portfolio due to climate-related events such as floods and natural fires. In the long-term, it is possible that changes in weather systems may deem some or all of the Combined Group's properties no longer viable to let.

Indirect risks include the cost of compliance with regulatory changes, the risk of incurring liabilities under environmental regulations and changes in investor sentiment, which could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.

Environmental regulations can impose liability for improving the energy efficiency of assets, in particular in relation to EPC ratings and the move toward a carbon neutral economy. If the Combined Group acquires or owns properties that fall below the minimum standards of new regulations, it could be liable for the cost of improvements. In addition, environmental regulation is a developing area, and it is not always clear whether landlords or their tenants bear the responsibility for other costs. If the Combined Group is found to be in violation of environmental regulations, it could face reputational damage, regulatory compliance penalties, reduced letting income and reduced asset valuation.

Changes in investor sentiment may restrict the Company's ability to grow through continued investment if investors do not see the Company as fitting within their particular investment criteria or effectively managing climate-risk within the portfolio. This could impact the Company's access to capital and the price of the Ordinary Shares.

Furthermore, investors in real property are increasingly focussed on ESG metrics when assessing the relative value of property. Accordingly, assets that perform poorly against ESG metrics, including those that are less energy efficient, may begin to reduce in value or face increased pressure for investment in improvement works impacting the value of the portfolio and/or reducing tenant demand for those properties.

The Company will be subject to the risk of cybersecurity breaches

The LondonMetric Group and, following the Merger, the Combined Group, together with their respective service providers, may be prone to operational, information security and related risks resulting from failures of, or breaches in, cybersecurity. A failure of, or breach in, cybersecurity ("cyber incidents") refers to both intentional and unintentional events that may cause the relevant party to lose proprietary information, suffer data corruption, or lose operational capacity. Cyber incidents can result from deliberate attacks ("cyber-attacks") or unintentional events, directly in the business or affecting its service providers including banks. Cyber-attacks include, but are not limited to, gaining unauthorised access to digital systems (for example, through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e. efforts to make network services unavailable to intended users). Cyber incidents may cause disruption and impact business operations, potentially resulting in financial losses, the inability of Shareholders to deal in the Ordinary Shares, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

While the Company has established business continuity plans in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cyber incidents, there are inherent limitations in such plans, strategies, systems, policies and procedures, including the possibility that certain risks have not been identified.

The Combined Group's due diligence may not identify all risks and liabilities in respect of an acquisition

Prior to entering into an agreement to acquire any property, the Company will perform due diligence on the proposed investment. In doing so, it would typically rely in part on third parties to conduct a significant portion of this due diligence (including legal reports on title, property valuations as well as building and environmental surveys). To the extent that the Company or other third parties underestimate or fail (or have underestimated or failed) to identify risks and liabilities associated with the investment in question, the Combined Group may be subject to defects in title, to environmental, structural or operational defects requiring remediation, or the Combined Group may be unable to obtain necessary permits which may have a material adverse effect on the Company's profitability, the NAV and the price of the Ordinary Shares.

If there is a due diligence failure, there may be a risk that properties are acquired that are not consistent with the Combined Group's investment strategy, or they may fail to perform in accordance with projections or carry a cost burden.

Even where the Combined Group has been able to identify relevant risks and liabilities associated with a potential acquisition through the due diligence process, the contractual protections in the acquisition documentation may not be sufficient to protect the Combined Group from such risks and liabilities. As a

consequence, the Combined Group may be affected by or exposed to risks against which it has insufficient or no protection or available remedies which may have a material adverse effect on the Combined Group's financial condition, business, prospects and results of operations.

In particular, significant environmental liabilities may result from investigation, removal, or remediation costs required by governmental authorities under environmental regulations, or in connection with a change in use or redevelopment, which may impose substantial costs on the Combined Group regardless of whether the Combined Group originally caused the contamination. In addition, such environmental liabilities or defects could adversely affect the Combined Group's ability to sell, lease or redevelop the property, or to borrow using the property as security. Laws and regulations, which may be amended over time, may also impose liability for the release of certain materials, including asbestos, into the air or water from a property investment, and such release can form the basis for liability to third persons for personal injury or other damages. Other environmental laws and regulations limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. In the event the Combined Group's due diligence fails to uncover material defects or liabilities, including environmental liabilities, which are not covered by insurance proceeds, this may have a material adverse effect on the Combined Group's results of operations and financial condition.

Any costs associated with potential investments that do not proceed to completion will affect the Combined Group's performance

The Combined Group expects to incur certain third-party costs in respect of potential investment acquisitions, including in connection with financing, valuations and professional services associated with the sourcing and analysis of suitable assets. There can be no assurance as to the level of such costs, and given that there can be no guarantee that the Combined Group will be successful in its negotiations to acquire any given property, the greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Combined Group's results of operations and financial condition.

The Combined Group is exposed to the risks associated with development projects

Although not a key component of the Combined Group's strategy, some of the properties in the Property Portfolio are held as development properties. Property development involves certain risks. The Combined Group may incur construction costs for a development that exceed original estimates due to increased material, labour or other costs. Developments may fail to deliver expected returns due to these additional costs, inconsistent timing with the economic and market cycle, adverse letting conditions or lettings below original estimates and planning or construction delays resulting from contractor failure or supply chain interruption.

The Combined Group is subject to the risk of contracting counterparties failing to meet their obligations

The Combined Group engages in contractual relationships with third parties in the ordinary course of business. These relate primarily to tenants of the Combined Group's properties, providers of capital to the Combined Group or joint venture partners.

Where the Combined Group seeks to create value by undertaking refurbishment of its property assets, it will typically be dependent on the performance of third-party contractors who might undertake the management or execution of such development on its behalf. The Combined Group may also rely on third-party contractors to assist in the management of its properties.

The failure of third parties to fulfil their contractual responsibilities could place the Combined Group and its business at risk. Examples of such failures include purchasers defaulting in respect of the purchase of a property, costs overrun in relation to services provided by third party contractors or tenants of the Property Portfolio becoming insolvent or defaulting on rental payments. If any of these risks were to materialise, this could have a material adverse effect on the Combined Group's business, financial condition and results of operation.

Changes in laws or regulations governing the Combined Group's operations may adversely affect the Combined Group's business

The LondonMetric Group and the LXi Group are subject to laws and regulations enacted by national and local governments.

The properties held by the Combined Group will be subject to laws and regulations which relate to, among other things, property, land use, development, zoning, health and safety requirements and environmental compliance. These are subject to change, which may be retrospective, and changes in regulations could adversely affect existing planning consent, costs of property ownership, the capital value of the Combined Group's assets and the income arising from the Property Portfolio. Such changes could also adversely affect the Combined Group's ability to use a property as intended and could cause the Combined Group to incur increased capital expenditure or running costs to ensure compliance with new applicable laws or regulation. Changes in laws and governmental regulations governing leases could restrict the Combined Group's ability to increase the rent payable by tenants, terminate leases or determine the terms on which a lease may be renewed.

Any change in the law and regulation affecting the Combined Group and its operations may have a material adverse effect on the ability of the Combined Group to carry on its business and successfully pursue its objectives and on the value of the Company and/or the Ordinary Shares. In such event, the investment returns of the Company may be materially adversely affected.

Pandemics and any similar public health events could materially and adversely affect the Group's business, results of operations, financial condition or prospects

Future pandemics or other significant public health events could impact the UK and global economies, the real estate market and the sectors in which the Combined Group operates, as highlighted by the COVID-19 pandemic. This could negatively impact the Combined Group's revenue and have a material adverse effect on its business, results of operations, financial condition or prospects.

RISKS RELATING TO THE MERGER

If the Merger completes, the integration of the LXi Group with the LondonMetric Group could result in operating difficulties and other adverse consequences

If the Merger completes, the process of integrating LXi and its subsidiaries may create unforeseen operating difficulties and expenditure and pose management, administrative and financial challenges. Specifically, integrating operations and personnel may prove more difficult and/or expensive than anticipated, thereby rendering the value of the LXi Group less than the value paid. The integration of the LXi Group may require significant time and effort on the part of the Company and the LondonMetric Group's management. The challenges of integrating the LXi Group may be exacerbated by differences in operational and business culture, the need to implement cost cutting measures and difficulties in maintaining internal controls. Such difficulties in successfully integrating LXi could have an adverse effect on the Company's financial condition and results of operations.

The Merger is subject to the Conditions which may not be satisfied or waived

Completion of the Merger is subject to the Conditions being satisfied (or, if permitted, waived) which include:

- approval of the resolution to effect the Merger by Shareholders at the LondonMetric General Meeting;
- approval of the resolution proposed at the LXi Court Meeting by the requisite majority of Scheme Shareholders;
- approval of the resolution to implement the Scheme by the requisite majority of LXi Shareholders at the LXi General Meeting;
- the sanction of the Scheme by the Court;
- the FCA and the London Stock Exchange approving the admission of the New Ordinary Shares to the Official List and to trading on the Main Market respectively; and
- delivery of the Court Order to the Registrar of Companies.

There is no guarantee that the Conditions will be satisfied in the necessary time frame (or waived, if applicable) and the Merger may, therefore, be delayed or not complete. Delay in completing the Merger will prolong the period of uncertainty for the LondonMetric Group and the LXI Group and both delay and failure to complete may result in the accrual of additional costs to their businesses (for example, there may be an increase in costs in relation to the preparation and issue of documentation or other elements of the planning and implementation of the Merger) without any of the potential benefits of the Merger having been achieved.

LondonMetric's ability to invoke a Condition requires the consent of the Takeover Panel

LondonMetric's ability to invoke a Condition (other than Scheme-related conditions, or conditions relating to the issue of the New Ordinary Shares and Admission) to the Merger to either lapse the Merger or to delay the Merger is subject to the Takeover Panel's consent. The Takeover Panel will need to be satisfied that the underlying circumstances are of "material significance" to LondonMetric in the context of the Merger and this is a high threshold to fulfil. Consequently, there is a significant risk that LondonMetric may be required to complete the Merger even where certain Conditions have not been satisfied or where a material adverse change in the LXI Group has occurred. If any of the events described above were to occur, they may result in additional costs and/or the delay or the failure (partial or otherwise) to realise the financial benefits and synergies relating to the Merger identified by the parties or may otherwise impact the Combined Group's strategy and operations.

A third party may have or be able to obtain a large enough shareholding in LXI to delay or prevent completion of the Merger

LXI Ordinary Shares are freely traded on the Main Market. Although LondonMetric is not aware of the existence of any such shareholders as at the date of this document, it is possible that a LXI Shareholder with a significant shareholding could use, or could threaten to use, its shareholding to vote against the Scheme when LXI Shareholder approval of the Scheme is sought. Such an action could materially delay or prevent the implementation of the Scheme and the Merger and therefore deprive the parties of some or all of the anticipated benefits of the Merger.

The Combined Group may fail to realise the business growth opportunities, revenue benefits, cost savings, operational efficiencies and other benefits anticipated from the Proposals

As described in paragraph 2 of Part 7 (Letter from the Chair) of this document, the Board believes that the anticipated cost savings as well as other operating efficiencies and the business growth opportunities, revenue benefits and other benefits it expects to achieve by combining its operations with those of the LXI Group constitute an important part of the business rationale for the Proposals. However, the integration of the LondonMetric Group and the LXI Group will require investment of time and money and presents a number of challenges. Additionally, these expected business growth opportunities, revenue benefits, cost savings and other operational efficiencies and other benefits may not develop, for various reasons, including because the assumptions upon which the Board determined the process of integration and potential costs savings may prove to be incorrect.

Under any of these circumstances, the business growth opportunities, revenue benefits, cost savings and other benefits anticipated by the Board to result from the Proposals may not be achieved as expected, or at all, or may be delayed, or may involve additional costs. To the extent that the LondonMetric Group incurs higher integration costs or achieves lower revenue benefits or fewer cost savings than expected, the Combined Group's operating results, and prospects and the price of the Ordinary Shares may suffer.

Shareholders and LXI Shareholders may have a reduced ownership and voting interest in the Combined Group than they currently have in LondonMetric and LXI, respectively

Following completion of the Merger, Shareholders and LXI Shareholders may own a smaller percentage of the Combined Group than they currently own of LondonMetric and LXI, respectively. As a result of the Merger, Shareholders will own approximately 54 per cent. of the Combined Group and LXI Shareholders will own approximately 46 per cent. of the Combined Group. As a consequence, the number of voting rights that can be exercised by Shareholders and LXI Shareholders in the Combined Group will be reduced.

RISKS RELATING TO CAPITAL GROWTH AND DIVIDENDS

Future dividends will be dependent on the ability of the Combined Group to generate distributable reserves

Any future dividends will depend upon a number of factors, including the availability of distributable reserves. The generation of profits for distribution depends on the successful management of the Combined Group's investments, the yields on existing and new properties, interest costs, taxes and profits on the development and sale of properties.

If operating costs and long term interest rates increase or rental income decreases, the Company may not be able to meet future dividend expectations and the level of income or the prospect of income and capital growth will be reduced accordingly.

Problems identifying and acquiring sufficient suitable properties within a reasonable time period could adversely impact capital growth and dividends

There is no guarantee that the Combined Group will be able to acquire sufficient suitable properties to enable expected capital and income returns to be achieved. Having excess uninvested cash may further affect the Combined Group's ability to achieve these returns.

The level of dividend and dividend growth on the Ordinary Shares will depend principally on income received from the underlying assets. The level of net income of the Combined Group will be affected by the level of borrowings incurred and the amount of income required to service interest payments on those borrowing.

RISKS RELATING TO THE ORDINARY SHARES

The market price of the Ordinary Shares may fluctuate widely and there may be limited liquidity in the Ordinary Shares

The Company is unable to predict whether the Ordinary Shares issued will be able to be sold in the open market. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially adversely affect the market price of the Ordinary Shares.

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the stock market regarding the Ordinary Shares or securities similar to them (both in connection with the market approval of its current strategy or if the Combined Group's operating results and prospects from time to time are below the expectations of market analysts and investors) or in response to various facts and events, including any regulatory changes affecting the Combined Group's operations, half yearly or yearly operating results or business developments of the Combined Group or its competitors.

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this Section headed "**Risk Factors**", as well as stock market fluctuations and general economic conditions or changes in political sentiment that may adversely affect the market price of the Ordinary Shares, regardless of the Combined Group's actual performance or conditions in their key markets.

Shareholders' ownership and voting interests may be diluted as a result of further issues of Ordinary Shares

Following the Merger, the Company may issue further Ordinary Shares (subject to the Company having the requisite shareholder authorities and in compliance with applicable law). While the Companies Act contains statutory pre-emption rights for Shareholders in relation to issues of shares in consideration for cash, the Company currently has authority to issue up to 196,593,680 Ordinary Shares on a non-pre-emptive basis pursuant to shareholder authorities obtained at the annual general meeting of the Company held on 12 July 2023 (such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2024 or, if earlier, 12 October 2024). Where statutory pre-emption rights are disapplied, any further issues of Ordinary Shares will be dilutive to the ownership and voting interests of those Shareholders who cannot, or choose not to, participate in such issues.

For the avoidance of doubt, the working capital statement set out in paragraph 16 of Part 14 (Additional Information) is not qualified by or dependent on any issuance of Ordinary Shares by the Company for working capital purposes.

In addition, the securities laws of certain jurisdictions may restrict the Company's ability to allow the participation of non-UK Shareholders in future offerings. Any such non-UK Shareholder who is unable to participate in future equity offerings may suffer dilution.

There is no guarantee that net asset value and market price will be directly correlated

The price at which the Ordinary Shares trade and the price at which investors may realise their investment is influenced by a large number of factors, some specific to the Company and its investments and some which may affect companies generally. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. Consequently, the market price may be subject to greater fluctuation on small volumes of trading of Ordinary Shares and the Ordinary Shares may be difficult to sell at a particular price. The market price of the Ordinary Shares may not reflect their underlying NAV.

Shareholders do not have a right for their Ordinary Shares to be redeemed and the Company does not have a fixed winding-up date. While the Directors and the Proposed Director retain the right to effect repurchases of Ordinary Shares, they are under no obligation to use such powers or to do so at any time and Shareholders should not place any reliance on the willingness of the Directors and the Proposed Director so to act. Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their Ordinary Shares in the market. There can be no guarantee that a liquid market in the Ordinary Shares will be maintained or that the Ordinary Shares will trade at prices close to their underlying NAV. Accordingly, Shareholders may be unable to realise their investment at such NAV or at all.

Shareholders outside the United Kingdom may not be able to exercise pre-emption rights or participate in future equity offerings

The Companies Act provides for pre-emptive rights to be granted to Ordinary Shareholders, unless such rights are disapplied by a special resolution in accordance with the Articles. However, the securities laws of certain jurisdictions may restrict the Company's ability to allow the participation of Ordinary Shareholders in future offerings. In particular, Ordinary Shareholders located in the United States may not be entitled to exercise those pre-emptive rights unless a registration statement under the US Securities Act is declared effective with respect to those rights, or an exemption from the registration requirements under the US Securities Act is otherwise available. The Company does not intend to file any such registration statement, and the Company cannot assure prospective US investors that any exemption from the registration requirements under the US Securities Act or applicable non US securities law would be available to enable US or other non-UK holders to exercise such pre-emption rights or, if available, that the Company will utilise any such exemption. Any Ordinary Shareholder who is unable to participate in future equity offerings may suffer dilution. If US and other non-UK shareholders do not or cannot participate in future issues of Ordinary Shares, their proportionate ownership and voting interests in the Company may be reduced and the percentage that their Ordinary Shares will represent of the total issued share capital of the Company will be reduced accordingly. This could also have an adverse impact on the market price of the Ordinary Shares, the value of a Shareholder's interest in the Company and the ability of the Company to raise funds to meet its business requirements.

There will be no public market for the Ordinary Shares in the United States or elsewhere outside the United Kingdom

Following Admission, there will be no public market for the Ordinary Shares, including the New Ordinary Shares, in the United States or elsewhere outside the United Kingdom. The New Ordinary Shares have not been, and will not be, registered under the US Securities Act or any state securities laws of the United States and will be subject to significant restrictions on resale in the United States. The Company does not intend to apply for listing of the Ordinary Shares on a securities exchange or automated quotation system in the United States or elsewhere outside the United Kingdom. As a consequence, an active trading market is not expected to develop for the Ordinary Shares outside the United Kingdom and investors outside the United Kingdom may not be able to sell them at an acceptable price or at all.

Shareholders outside of the UK may have fewer rights than they would as UK shareholders or as shareholders of companies organised in their local jurisdiction

The ability of an overseas shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by English law and by the Company's Articles of Association. These rights

differ from the rights of shareholders in typical US corporations and some other non-UK corporations. In particular, English law significantly limits the circumstances under which shareholders of companies may bring derivative actions. Under such law generally, only a company can be the proper claimant in proceedings in respect of wrongful acts committed against it. In addition, it may be difficult for an overseas shareholder to prevail in a claim against the Company under, or to enforce liabilities predicated upon, non-UK securities laws.

An overseas shareholder may not be able to enforce a judgment against some or all of the Company directors. All of the Company directors are residents of the UK. Consequently, it may not be possible for an overseas shareholder to effect service of process upon the Company directors within the overseas shareholder's country of residence or to enforce against the Company directors judgments of courts of the overseas shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an overseas shareholder will be able to enforce any judgements in civil and commercial matters or any judgements under the securities laws of countries other than the UK against the Company directors who are residents of the UK or countries other than those in which the judgment is made. In addition, English or other courts may not impose civil liability on the Company directors in any original action based solely on the foreign securities laws brought against the Company or the Company directors in a court of competent jurisdiction in England or other countries.

Future sales of Ordinary Shares could cause the market price of the Ordinary Shares to fall

Sales of Ordinary Shares or interests in Ordinary Shares by significant investors could depress the market price of the Ordinary Shares. A substantial amount of Ordinary Shares being sold, or the perception that sales of this type could occur, could also depress the market price of the Ordinary Shares. Both scenarios, occurring either individually or collectively, may make it more difficult for Shareholders to sell the Ordinary Shares at a time and price that they deem appropriate.

RISKS RELATING TO TAXATION

A change in the Combined Group's tax status or in taxation legislation in the UK could adversely affect the Combined Group's profits and portfolio value and/or returns to Shareholders

The levels of and reliefs from taxation may change, adversely affecting the financial prospects of the Combined Group and/or the returns payable to Shareholders. The taxation of an investment in the Company and the availability and value of tax reliefs referred to in this document depends on the individual circumstances of Shareholders.

Any change in the Combined Group's tax status or in taxation legislation in the UK or any country where the Combined Group has assets or operations (including a change in interpretation of such legislation) could affect the value of the assets held by the Combined Group or affect the Company's ability to achieve its investment objectives or provide favourable returns to Shareholders. In particular, an increase in the rates of stamp duty land tax could have a material impact on the price at which UK land can be acquired, and therefore on asset values. Any such change could also adversely affect the net amount of any dividends payable to Shareholders and/or the price of Ordinary Shares.

If the Combined Group fails to remain qualified as a UK-REIT, its rental income and gains will be subject to UK taxation

The LondonMetric Group benefits, and, following the Merger, the Combined Group will benefit, from UK-REIT status. The requirements for maintaining UK-REIT status, however, are complex. Minor breaches of the UK-REIT regime may only result in additional tax being payable or will not be penalised if remedied within a given period of time, provided that the regime is not breached more than a certain number of times. A serious breach of these regulations may lead to the Combined Group losing its qualification as a REIT. If the Combined Group fails to meet certain of the statutory requirements to maintain its status as a UK-REIT, it and its subsidiaries may be subject to corporation tax on some or all of their property rental income and chargeable gains on the sale of some or all properties and shares in certain companies. This would cause the Combined Group's rental income and gains to be subject to UK taxation and could reduce the reserves available to make distributions to Shareholders and the yield on the Ordinary Shares. In addition, incurring a tax liability might require the Combined Group to borrow funds, liquidate some of its assets or take other steps that could negatively affect its operating results. Moreover, if the Combined Group's UK-REIT status

is withdrawn altogether because of its failure to meet one or more UK-REIT qualification requirements, it may be disqualified from being a UK-REIT from the end of the accounting period preceding that in which the failure occurred.

Future changes in legislation may cause the Combined Group to lose its UK-REIT status.

Distribution requirements may limit the Company's flexibility in executing its acquisition plans

The UK-REIT distribution requirements limit the Company's ability to fund acquisitions and capital expenditures through retained income earnings. To obtain full exemption from UK tax on the tax-exempt business, the Company is required to distribute annually to Shareholders an amount sufficient to meet the 90 per cent. distribution test by way of property income distribution, or PID. The Company would be required to pay tax at regular corporate rates on any shortfall to the extent that it distributes as a PID less than the amount required to meet the 90 per cent. distribution test each year. Therefore, the Company's ability to grow through acquisitions would be limited if the Company were unable to obtain further debt or issue shares.

In addition, differences in timing between the receipt of cash and the recognition of income for the purposes of the UK-REIT rules and the effect of any potential debt amortisation payments could require the Company to borrow funds to meet the distribution requirements that are necessary to achieve the full tax benefits associated with qualifying as a UK-REIT even if the then-prevailing market conditions are not favourable for these borrowings.

As a result of these factors, the constraints of maintaining UK-REIT status could limit the Combined Group's flexibility to make investments.

The Company's status as a UK-REIT may restrict business consolidation opportunities and distribution opportunities to Shareholders

In order to maintain its UK-REIT status, the Combined Group must continue to satisfy certain conditions. Complying with those conditions may mean that the Company is restricted with respect to any potential corporate or business restructure and any future distribution opportunities.

If the Company is acquired by an entity that is not a UK-REIT, the Company is likely in most cases to fail to meet the requirements for being a UK-REIT. If so, the Combined Group will be treated as leaving the UK-REIT regime at the end of the accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from the regime's tax exemptions.

In addition, a UK-REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a Substantial Shareholder, that is a company which has rights to 10 per cent. or more of the dividends or shares or controls at least 10 per cent. of the voting rights. This additional tax charge will not be incurred if the UK-REIT has taken reasonable steps to avoid paying dividends to a Substantial Shareholder. Therefore, the Articles contain provisions designed to avoid the situation where dividends may become payable to a Substantial Shareholder and these provisions are summarised at paragraph 7.1.12 of Part 14 (Additional Information) of this document. These provisions provide the Directors with powers to identify Substantial Shareholders and to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met. The Articles also allow the Board to require the disposal of Ordinary Shares forming part of a Substantial Shareholding in certain circumstances where the Substantial Shareholder has failed to comply with the above provisions. Accordingly, while there is no prohibition on the Company being acquired, there might be potentially negative tax consequences of such an acquisition if made by an entity which itself is not a UK-REIT might make it less likely than would be the case for other types of companies.

The Company and, following the Effective Date, the Combined Group may be treated as a "passive foreign investment company" for US federal income tax purposes, which could have adverse tax consequences to US shareholders

There is a risk that the Company and, following the Effective Date, the Combined Group may be treated as a "passive foreign investment company" or "PFIC", for US federal income tax purposes, which could have adverse consequences to US shareholders. A non-US corporation generally will be considered a PFIC for any taxable year in which, after taking into account the income and assets of certain 25 per cent. or

more owned subsidiaries, either 75 per cent. or more of its gross income is passive income, or 50 per cent. or more of the average value of its assets (generally determined on a quarterly basis) are considered “passive assets” (generally, assets that generate passive income). For the purposes of these tests, “passive income” includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business.

The determination of PFIC status is a factual determination that must be made annually at the close of each taxable year. It has not been determined whether the Company or the Combined Group will be treated as a PFIC in the current or succeeding taxable years. If the Combined Group were treated as a PFIC for US federal tax purposes, US shareholders of the Combined Group may become subject to certain US reporting obligations and to adverse US federal income tax consequences, including with respect to the income derived by the Combined Group, the distributions received and the gain, if any, derived from the sale or other disposition of Ordinary Shares. Specifically, the PFIC rules could have the effect of subjecting US shareholders to an interest charge on any deferred taxation and taxing gain upon the sale of Ordinary Shares as ordinary income. In addition, if the Combined Group is considered a PFIC, US shareholders will be subject to rules similar to those described above with respect to their indirect ownership of any subsidiaries of the Combined Group that are themselves PFICs. Dividends received by a non-corporate US shareholder will not be eligible for the reduced tax rates applicable to qualified dividends if the Combined Group is a PFIC in the year in which the dividend is paid or the preceding year. US shareholders may be able to make a “mark-to-market” election with respect to their Ordinary Shares, which may mitigate some of the adverse tax consequences if the Combined Group were considered a PFIC, but the election would not apply to their indirect interests in any PFIC subsidiaries of the Combined Group.

If the Combined Group were classified as a PFIC in any year with respect to which a US holder owns the Ordinary Shares, the Combined Group would continue to be treated as a PFIC with respect to the US shareholder in all succeeding years during which the US shareholder owns such securities, regardless of whether the Combined Group continues to meet the tests described above.

Further, prospective investors should assume that a “qualified electing fund” election, which, if made, could serve as an alternative to the general PFIC rules and could reduce any adverse consequences to US taxpayers if the Combined Group were to be classified as a PFIC, will not be available because the Combined Group does not expect to provide the information needed to make such an election. A “mark-to-market” election may be available, however, if the LondonMetric Ordinary Shares are regularly traded.

All prospective investors of New Ordinary Shares are urged to consult with their own tax advisers concerning the US tax consequences associated with acquiring, owning and disposing of New Ordinary Shares in light of their particular circumstances

Disposal of properties or shares may have negative implications, including unfavourable tax consequences

Although the Combined Group is a UK-REIT, if the Combined Group disposes of a property in a manner indicative of a company that is trading in property rather than investing, the property may be treated as having been disposed of in the course of a trade, and any gain will be subject to corporation tax at regular corporate rates. For example, acquiring a property with a view to sale followed by a disposal on completion of the development would indicate a trading activity, whereas effective management of its property portfolio through acquisitions and disposals with the intention to increase rental income, should not. Further, where development of a property has occurred following acquisition and the cost of development exceeds 30 per cent. of the fair value of the property at the later of the date of the acquisition of the property or the date the company holding the property entered the UK-REIT, the proceeds will be taxable if a disposal takes place within three years of completion of the development. Whilst the Combined Group does not intend to dispose of property in the course of a trade, HMRC may challenge whether a disposal has been in the course of a trade with the consequence that corporation tax may be payable in respect of any profits from the disposal of such property. While a disposal of shares in a company carrying on Property Rental Business should be exempt from tax under the UK-REIT rules, such disposals will be subject to tax in circumstances where a property has been developed within the last three years and the cost of development exceeds 30 per cent. of the fair value of the property at the later of the date of the acquisition of the property or the date the company holding the property entered the UK-REIT.

The Company may be subject to reporting obligations such as the automatic exchange of information (AEOI)

To the extent that the Company may be a “Reporting Financial Institution” under the Foreign Account Tax Compliance Act 2010 and/or the Common Reporting Standard, or in connection with other tax information reporting obligations, it may require Shareholders to provide it with certain information in order to comply with its AEOI obligations which information may be provided to the UK tax authorities who may in turn exchange that information with certain other tax authorities.

PART 3

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Time and/or date</i>
Announcement of the proposed Merger	11 January 2024
Publication of this document and the Scheme Document	6 February 2024
Latest time and date for receipt of forms of proxy for the LXi Court Meeting	10.00 a.m. on 23 February 2024
Latest time and date for receipt of form of proxy for the LXi General Meeting	10.15 a.m. on 23 February 2024
Latest time for receipt of electronic/Proxymity/CREST proxy instructions or hard copy proxy forms) for the LondonMetric General Meeting	2.30 p.m. on 23 February 2024
Voting record time for the LXi Court Meeting and LXi General Meeting	6.00 p.m. on 23 February 2024 ²
Record time and date for eligibility to vote at the LondonMetric General Meeting	6.00 p.m. on 23 February 2024
LXi Court Meeting	10.00 a.m. on 27 February 2024
LXi General Meeting	10.15 a.m. on 27 February 2024³
LondonMetric General Meeting	2.30 p.m. on 27 February 2024
<i>Certain of the following dates are subject to change (please see note 1 below)</i>	
LXi Court Hearing to sanction the Scheme	4 March 2024
Last day for dealings in, and for registration of transfers and disablement in CREST of, LXi Ordinary Shares	4 March 2024 ⁴
Suspension of listing of dealings in LXi Ordinary Shares	5.00 p.m. on 4 March 2024
Scheme Record Time	6.00 p.m. on 4 March 2024
Effective Date of the Scheme	5 March 2024
Admission of the New Ordinary Shares to the Official List and commencement of dealings in New Ordinary Shares on the London Stock Exchange	8.00 a.m. on 6 March 2024
New Ordinary Shares to be issued and CREST accounts credited in respect of New Ordinary Shares as soon as possible after	8.00 a.m. on 6 March 2024
Delisting of LXi Ordinary Shares	8.00 a.m. on 6 March 2024
Despatch of definitive share certificates for New Ordinary Shares in certificated form or settlement through CREST in respect of the New Ordinary Shares	Within 14 days of the Effective Date

Payments in respect of fractional entitlements
(where applicable)

Within 14 days of the Effective Date

Long-stop Date, being the date by which the Scheme
must be implemented

11 July 2024 ⁵

References to time are to London time.

Notes:

1. The dates and times in the expected timetable are indicative only, may be subject to change (including as a result of changes to Court times) and will depend, among other things, on the date on which the Conditions are satisfied or, if capable of waiver, waived, and therefore the date on which the Court sanctions the Scheme (which may not be the same day on which the Court hears LXi's application). If any of the times and/or dates above change, the revised time(s) and/or date(s) will be notified to Shareholders by announcement through a Regulatory Information Service provider.
2. If the LondonMetric General Meeting is adjourned or postponed, the Voting Record Time for the relevant adjourned Meeting will be 6.00 p.m. on the day which is two Business Days before the date set for such adjourned or postponed LondonMetric General Meeting and only Shareholders on the register of members at such time shall be entitled to attend and vote at the LondonMetric General Meeting.
3. The LXi General Meeting will commence at 10.15 a.m. on 27 February 2024 or, if later, as soon thereafter as the LXi Court Meeting has been concluded or adjourned.
4. LXi Ordinary Shares will be disabled in CREST from 6.00 p.m. on such date.
5. This is the latest date by which the Scheme may become Effective unless LondonMetric and LXi agree a later date (with the consent of the Panel and, if required, the permission of the Court).

PART 4

SHARE CAPITAL STATISTICS

Number of Existing Ordinary Shares	1,093,559,368
Number of New Ordinary Shares expected to be issued to LXi Shareholders pursuant to the Scheme	942,960,279
Enlarged Share Capital	2,036,519,647
New Ordinary Shares as a percentage of Enlarged Share Capital	46 per cent.
ISIN number for Existing Ordinary Shares and the New Ordinary Shares	GB00B4WFW713

PART 5

LONDONMETRIC DIRECTORS, PROPOSED DIRECTOR, COMPANY SECRETARY AND ADVISERS

Directors	Andrew Jones (<i>Chief Executive</i>) Martin McGann (<i>Finance Director</i>) Alistair Elliott (<i>Chair</i>) Suzy Neubert (<i>Senior Independent Director</i>) Suzanne Avery (<i>Non-executive Director</i>) Robert Fowlds (<i>Non-executive Director</i>) Andrew Livingston (<i>Non-executive Director</i>) Kitty Patmore (<i>Non-executive Director</i>)
Proposed Director	Nick Leslau
Company Secretary	Jadzia Duzniak
Registered office of the Company and business address of each of the Directors and the Proposed Director	One Curzon Street London W1J 5HB
Sponsor, Financial Adviser and Broker	Peel Hunt LLP 100 Liverpool Street London EC2M 2AT
Financial Adviser and Broker	Barclays Bank Plc 1 Churchill Place, London E14 5HP
Financial Adviser and Broker	J.P. Morgan Securities Plc 25 Bank Street Canary Wharf London E14 5JP
Legal advisers to the Company	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF
Legal advisers to the Sponsor	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
Auditors to the Company	Deloitte LLP 1 New Street Square London EC4A 3HQ
Reporting accountant to the Company	BDO LLP 55 Baker Street London W1U 7EU
Registrars	Link Group Central Square, 29 Wellington Street, Leeds, LS1 4DL

PR adviser	FTI Consulting 200 Aldersgate Street London EC1A 4HD
Property valuers – LondonMetric	CBRE Limited Henrietta House Henrietta Place London W1G 0NB
Property valuers – LondonMetric	Savills Advisory Services Limited 33 Margaret Street London W1G 0JD
Property valuers – LXi	Knight Frank LLP 55 Baker Street, London, W1U 8AN
Receiving Agent	Link Group Corporate Actions, Central Square, 29 Wellington Street, Leeds, LS1 4DL

PART 6

IMPORTANT INFORMATION

1. TO VOTE ON THE RESOLUTION

Whether or not you plan to attend the LondonMetric General Meeting in person, please either:

1. appoint a proxy electronically by logging on to www.signalshares.com and following the procedures on the website, so that it is received by Link Group by no later than 2.30 p.m. 23 February 2024;
2. if you hold Ordinary Shares in CREST and wish to appoint a proxy utilising the CREST electronic proxy appointment service, complete and transmit a CREST Proxy Instruction in accordance with the procedures described in the CREST Manual, so that it is received by LondonMetric's agent (ID RA10) by no later than 2.30 p.m. 23 February 2024;
3. if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 2.30 p.m. on 23 February 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting (excluding non Business Days). Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote; or
4. if you have requested a Form of Proxy, complete the Form of Proxy in accordance with the instructions printed on the Form of Proxy and return it to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL, so that it is received no later than 2.30 p.m. 23 February 2024.

The electronic submission of your proxy, transmission of a CREST Proxy Instruction, via the Proxymity Platform, or completion and return of the completed Form of Proxy, will not prevent you from attending the LondonMetric General Meeting and voting in person (in substitution for your proxy vote) if you so wish and are so entitled.

A summary of the action to be taken by the Shareholders is set out in Part 7 (Letter from the Chair) and Part 16 (Notice of General Meeting) of this document.

2. DEFINITIONS

Capitalised terms have the meanings ascribed to them in Part 15 (Definitions) of this document.

3. INCORPORATION BY REFERENCE

Certain information in relation to the Combined Group has been incorporated by reference into this document. Please see Part 10 of this document.

4. NO INCORPORATION OF WEBSITES

Save where expressly stated in this document, none of the content of LondonMetric's website, www.londonmetric.com, or LXI's website, www.lxireit.com, forms part of this document.

5. FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "projects", "assumes", "expects", "intends", "may", "will", "would" or "should", or in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

They appear in a number of places throughout this document and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the LondonMetric Group's, the LXI Group's, the Combined Group's result of operations, financial condition, prospects, growth strategies and the industries in which the Combined Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the markets, market position of the Company, earnings, financial position, return on capital, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to the Company's continuing obligations under application law and regulation including the Listing Rules, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules, UK MAR, the Code and FSMA, the Company undertakes no obligation to update publicly or revise any forward-looking statement whether as a result of new information, future events or otherwise. None of these statements made in this document in any way obviates the requirements of the Company to comply with applicable law and regulation including the Listing Rules, Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules, UK MAR, the Code or the FSMA.

6. GENERAL NOTICE

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for your information only and, except as explicitly stated otherwise, nothing in this document is intended to endorse or recommend a particular course of action. Each prospective investor should consult his, her or its legal adviser, financial adviser or tax adviser for advice.

7. OVERSEAS SHAREHOLDERS

The availability of New Ordinary Shares issued pursuant to the Merger to persons resident in, or citizens of, jurisdictions outside the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons not resident in the United Kingdom should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas LXI Shareholder to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Merger and resale of any New Ordinary Shares that may be issued to them pursuant to the Merger, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document has been prepared for the purposes of complying with English law, the Prospectus Regulation Rules and the Listing Rules and the information disclosed in the document may not be the same as that which would have been disclosed if the document had been prepared in accordance with the laws of any other jurisdiction. The New Ordinary Shares to be issued pursuant to the Merger have not and will not be registered, and no prospectus has been filed with respect to the offering and issue of New Ordinary Shares pursuant to the Merger, under the relevant securities laws of any jurisdiction other than the United Kingdom. Accordingly, subject to certain exceptions, the New Ordinary Shares may not be offered, sold, resold or delivered directly or indirectly in or into a Restricted Jurisdiction (namely the United States, Australia, Japan, the Republic of South Africa, New Zealand, and any other jurisdiction where the relevant action would constitute a violation of the relevant laws and regulations of such jurisdiction or would result in a requirement to comply with any governmental or other consent or any registration, filing or other formality which LondonMetric or LXI regards as unduly onerous).

Due to restrictions on Restricted Overseas Persons holding New Ordinary Shares, LondonMetric may, in its sole discretion, determine that either: (a) any New Ordinary Shares issued to a Restricted Overseas Person be sold, in which event the relevant New Ordinary Shares shall be issued to such holder and LondonMetric shall appoint a person to procure that such shares be sold on behalf of such holder; or (b) that such New Ordinary Shares shall not be issued to such holder but shall instead be issued to a nominee for such holder who shall sell the New Ordinary Shares so issued.

8. UNITED STATES CONSIDERATIONS

Investors in the United States should note that the Merger relates to the securities of an English company with a listing on the London Stock Exchange and is proposed to be implemented pursuant to a scheme of arrangement provided for under English law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Scheme is subject to procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company in England listed on the London Stock Exchange, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules.

The New Ordinary Shares to be issued under the Scheme have not been, and will not be, registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Ordinary Shares may not be offered, sold, resold, delivered, distributed, or otherwise transferred, directly or indirectly, in or into the United States except pursuant to an exemption from the registration requirements under the US Securities Act.

The New Ordinary Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10) thereof, LXi will advise the Court that its sanctioning of the Scheme will be relied upon by LondonMetric as an approval of the Scheme following a hearing on its fairness to LXi Shareholders, at which hearing all LXi Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all LXi Shareholders.

None of the securities referred to in this Prospectus nor the Merger has been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The New Ordinary Shares to be issued to LXi Shareholders pursuant to the Scheme governed under English law may generally be resold without restriction under the US Securities Act, except for resales by persons who are or will be affiliates (within the meaning of Rule 144 under the US Securities Act), whom may be subject to timing, manner of sale and volume restrictions on the resale in the United States of New Ordinary Shares received pursuant to the Merger. "Affiliates" of a company under the US Securities Act are generally defined as persons who directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, that company. Whether a person is an affiliate of a company for purposes of the US Securities Act depends on the circumstances, but affiliates can include certain officers, directors and significant shareholders. LXi Shareholders who are or will be affiliates of LondonMetric or LXi prior to, or of LondonMetric after, the Effective Date will be subject to certain US transfer restrictions relating to the New Ordinary Shares received pursuant to the Scheme. LXi Shareholders who believe that they may be or will be affiliates for purposes of the US Securities Act should consult their own legal advisors prior to any resale of New Ordinary Shares received under the Scheme.

The financial information included or incorporated by reference in this Prospectus has been or will be prepared in accordance with International Financial Reporting Standards and hence may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

US holders of LXi Shares also should be aware that the transaction contemplated herein may have tax consequences in the United States and that such consequences, if any, are not described herein. US holders of LXi Shares are urged to consult with independent professional advisors regarding the legal, tax and financial consequences of the Merger applicable to them.

It may be difficult for US holders of LXi Shares to enforce their rights and claims arising out of the US federal securities laws since LondonMetric and LXi are organized in countries other than the United States and some or all of their officers and directors may be residents of, and some or all of their assets may be located in, jurisdictions other than the United States. US holders of LXi Shares may have difficulty effecting service of process within the United States upon those persons or recovering against judgments of US courts, including judgments based upon the civil liability provisions of the US federal securities laws. US holders of LXi Shares may not be able to sue a non-US company or its officers or directors in a non-US court for

violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

The Combined Group may be treated as a PFIC for US federal income tax purposes, which could have adverse consequences on US investors. The Combined Group has not definitively determined whether it was a PFIC for any prior taxable year. Prospective investors should assume that a "qualified electing fund" election, which, if made, could serve as an alternative to the general PFIC rules and could reduce any adverse consequences to US taxpayers if the Combined Group were to be classified as a PFIC, will not be available because the Combined Group does not expect to provide the information needed to make such an election. A "mark-to-market" election may be available, however, if the Ordinary Shares are regularly traded, but the election would not apply to a US investor's indirect interests in any PFIC subsidiaries of the Combined Group. All prospective purchasers of New Ordinary Shares are urged to consult with their own tax advisers concerning the US federal income tax considerations associated with acquiring, owning and disposing of New Ordinary Shares in light of their particular circumstances, as well as any considerations arising under the laws of any non-US state, local or other taxing jurisdiction. All shareholders should consult their own tax advisors with respect to their own particular circumstances.

9. ACCOUNTING CONSIDERATIONS

Accounting year ends

LondonMetric's financial year ends on 31 March and LXi's financial year ends on 31 March. SIR's financial year ended on 31 December. It is intended that the consolidated financial reports for the Combined Group will have an accounting financial year ending on 31 March each year.

Sources of financial information

In this document unless otherwise stated:

- financial information relating to LondonMetric has been extracted unless otherwise stated, without material adjustment, from the audited historical financial information referred to in Part 10 (Historical Financial Information on the LondonMetric Group) of this document for the financial year ended 31 March 2023 prepared in accordance with IFRS and the unaudited consolidated financial statements contained in the half-yearly report of the LondonMetric Group for the six month period ended 30 September 2023, prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the UK;
- financial information relating to LXi has been extracted unless otherwise stated, without material adjustment, from the audited historical financial information referred to in Part 11 (Historical Financial Information on the LXi Group) of this document for the financial years ended 31 March 2021, 31 March 2022 and 31 March 2023 prepared in accordance with IFRS and the unaudited consolidated financial statements contained in the half-yearly report of the LXi Group for the six month period ended 30 September 2023, prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the UK;
- financial information relating to SIR has been extracted unless otherwise stated, without material adjustment, from the audited historical financial information referred to in Part 11 (Historical Financial Information on the LXi Group) of this document for the financial years ended 31 December 2020 and 31 December 2021 and the fifteen month period ended 31 March 2023 prepared in accordance with IFRS; and
- where information has been sourced from a third party, LondonMetric confirms that the information has been accurately reproduced and, as far as LondonMetric is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used, the source of such information has been identified wherever it appears in this document.

Pro forma financial information relating to the Combined Group

In this document, any reference to pro forma financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part 12 (Unaudited Pro Forma Financial Information of the Combined Group) of this document.

Calculation of Rolled-Forward Unaudited EPRA NTA for LondonMetric and LXI

The updated valuation of LondonMetric's property portfolio as at 31 December 2023 has been used to calculate the Rolled-Forward Unaudited EPRA NTA per Ordinary Share as at 31 December 2023 as set out in paragraph 1 of Part 7 (Letter from the Chair) of this document, on the following basis:

<i>£million unless stated</i>	<i>EPRA NTA as at 30 September 2023</i>	<i>Adjustment for Disposals and Acquisitions⁽⁷⁾</i>	<i>Adjustment for 31 December 2023 Revaluation⁽⁸⁾</i>	<i>Rolled- Forward Unaudited EPRA NTA as at 31 December 2023</i>
Property value ^{(1) (9)}	3,177	(24)	(44)	3,109
Gross debt ⁽²⁾	(974)	22	–	(951)
Cash ^{(3) (9)}	28	–	–	28
Other net liabilities ^{(4) (9)}	(53)	–	–	(53)
EPRA NTA⁽⁵⁾	2,179	(2)	(44)	2,133
Number of ordinary shares – fully diluted ⁽⁶⁾	1,092	–	–	1,092
EPRA NTA per share (pence)	199.6	(0.1)	(4.0)	195.4

⁽¹⁾ Consists of investment properties adjusted to include investment properties held for sale and trading property

⁽²⁾ Consists of borrowings prior to the deduction of unamortised loan arrangement fees

⁽³⁾ Consists of cash and cash equivalents, including restricted cash

⁽⁴⁾ Consists of other assets/(liabilities) and the EPRA adjustment (which removes the fair value of derivatives)

⁽⁵⁾ The LondonMetric Directors have confirmed that the aggregate of other movements in EPRA NTA between 30 September 2023 and 31 December 2023 is not material

⁽⁶⁾ Total diluted shares as at 30 September 2023 and 31 December 2023

⁽⁷⁾ Represents the change in property value and consideration associated with any material disposals/acquisitions between 30 September 2023 and 31 December 2023

⁽⁸⁾ Represents the revaluation adjustment for the market valuation of investment properties as at 31 December 2023

⁽⁹⁾ Adjusted to include share of joint ventures and to exclude non-controlling interests

The updated valuation of LXi's property portfolio as at 31 December 2023 has been used to calculate the Rolled-Forward Unaudited EPRA NTA per LXi Ordinary Share as at 31 December 2023 as set out in paragraph 1 of Part 7 (Letter from the Chair) of this document, on the following basis:

<i>£million unless stated</i>	<i>EPRA NTA as at 30 September 2023</i>	<i>Adjustment for Disposals and Acquisitions</i>	<i>Adjustment for 31 December 2023 Revaluation⁽⁷⁾</i>	<i>Rolled- Forward Unaudited EPRA NTA as at 31 December 2023</i>
Property value ⁽¹⁾	3,191	–	(28)	3,164
Gross debt ⁽²⁾	(1,271)	–	–	(1,271)
Cash ⁽³⁾	112	–	(8)	104
Other net liabilities ⁽⁴⁾	(76)	–	–	(76)
EPRA NTA⁽⁵⁾	1,956	–	(36)	1,920
Number of ordinary shares ⁽⁶⁾	1,714	–	–	1,714
EPRA NTA per share (pence)	114.1	–	(2.1)	112.0

⁽¹⁾ Consists of investment properties adjusted to include investment properties held for sale and other adjusting items as set out in note 9 of the LXi Group Interim Results 2023 as set out in the Appendix on page 384 of this document.

⁽²⁾ Consists of borrowings prior to the deduction of unamortised loan arrangement fees

⁽³⁾ Consists of cash and cash equivalents, including restricted cash

⁽⁴⁾ Consists of other assets/(liabilities) and the EPRA adjustment (which removes the fair value of derivatives)

⁽⁵⁾ The LXi Directors have confirmed that the aggregate of other movements in EPRA NTA between 30 September 2023 and 31 December 2023 is not material

⁽⁶⁾ Total shares as at 30 September 2023 and 31 December 2023

⁽⁷⁾ Represents the revaluation adjustment for the market valuation of investment properties as at 31 December 2023, adjusted for approximately £8 million of capital expenditure

Certain figures reflected in the calculation of the Rolled-Forward Unaudited EPRA NTA for LondonMetric and LXi are subject to rounding adjustments.

10. MARKET AND INDUSTRY DATA

This Prospectus includes market and industry data that the Company has obtained from industry publications. As noted in this Prospectus, the Company has obtained market and industry data relating to LondonMetric Group's business from the following providers of industry data:

- Savills: UK Grocery Report 2023;
- Savills: Where now for logistics October 2023 Report;
- CBRE: CBRE UK Logistics Q3 2023 Report;
- CBRE: CBRE UK Logistics Q3 2023 Report;
- CBRE: UK Real Estate Investment Figures 2023;
- CBRE UK Real Estate Market Outlook Report 2024;
- IGD: UK Convenience Market 2023 Report; and
- IPF: UK Consensus Forecasts (Autumn 2023) Report.

Where information has been referenced in this document, the source of that third party information has been disclosed. The Company confirms that information sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published from third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

PART 7

LETTER FROM THE CHAIR OF LONDONMETRIC PROPERTY PLC

*(a public limited company incorporated and registered in England and Wales with
registered company number 07124797)*

Directors:

Andrew Jones (*Chief Executive*)
Martin McGann (*Finance Director*)
Alistair Elliott (*Chair*)
Suzy Neubert (*Senior Independent Director*)
Suzanne Avery (*Non-executive Director*)
Robert Fowlds (*Non-executive Director*)
Andrew Livingston (*Non-executive Director*)
Kitty Patmore (*Non-executive Director*)

Registered Office:

1 Curzon Street
London W1J 5HB

6 February 2024

Dear LondonMetric Shareholder

**Recommended offer for the entire issued and to be issued ordinary share capital
of LXi REIT plc to be implemented by way of Scheme of Arrangement under
Part 26 of the Companies Act 2006**

1. INTRODUCTION

On 11 January 2024, the Boards of LondonMetric and LXi jointly announced that they had reached agreement on the terms of a recommended merger pursuant to which LondonMetric will acquire the entire issued and to be issued ordinary share capital of LXi (the “**Merger**”). The Merger is to be effected by means of a scheme of arrangement between LXi and LXi Shareholders under Part 26 of the Companies Act.

In view of the size of the Merger, the Merger constitutes a reverse takeover pursuant to the Listing Rules. The purpose of this document is to, *inter alia*, provide LondonMetric Shareholders with information on LXi and to convene a meeting of LondonMetric Shareholders to approve the Merger.

It is intended that the consideration payable by LondonMetric to LXi Shareholders in connection with the Merger, which is subject to the Conditions (details of which are set out below in paragraph 11 of this Part 7, will be satisfied by the issue of New Ordinary Shares to LXi Shareholders.

Under the terms of the Merger, each LXi Shareholder will be entitled to receive:

for each LXi Ordinary Share held: 0.55 New Ordinary Shares (the “Exchange Ratio”)⁶

On the basis of the Undisturbed Closing Price per Ordinary Share of 197.4 pence on 15 December 2023, being the last Business Day prior to the commencement of the Offer Period, the Merger values the entire issued and to be issued ordinary share capital of LXi at approximately £1.9 billion and:

- represents a premium of approximately 9 per cent. to the Undisturbed Closing Price per LXi Share of 99.5 pence;
- represents a premium of approximately 13 per cent. to the volume weighted average Closing Price per LXi Share for the one-month period ended on 15 December 2023 of 95.7 pence; and
- implies an NTA discount of 4 per cent. based on each of the LondonMetric and LXi Rolled-Forward Unaudited EPRA NTAs⁷.

⁶ The Exchange Ratio is based on an adjusted EPRA NTA to adjusted EPRA NTA approach, taking into account the fair value of debt and derivatives, potential liabilities in respect of German taxation and the termination of LXi’s management contract.

⁷ When applying the Exchange Ratio to the LondonMetric Rolled-Forward Unaudited EPRA NTA.

Following completion of the Merger, existing LondonMetric Shareholders will hold approximately 54 per cent. and LXI Shareholders will hold approximately 46 per. cent. respectively of the Enlarged Share Capital.

The Merger is subject to the Conditions described in paragraph 11 of this Part 7. The Scheme Document was published on the same date as this document. It is expected that the LXI Court Meeting and the LXI General Meeting will be held on 27 February 2024, the Scheme will become effective on 5 March 2024 and the Proposals completed by 6 March 2024.

LondonMetric is required to comply with the provisions of Chapter 5.6 (so far as applicable) and Chapter 10.5 of the Listing Rules in relation to the Merger and therefore seeks the approval of Shareholders pursuant to the Listing Rules.

This document constitutes a circular prepared in compliance with the Listing Rules of the FCA for the purposes of the LondonMetric General Meeting convened pursuant to the Notice of General Meeting contained at the end of this document. This document also constitutes a prospectus relating to the issue of the New Ordinary Shares and Admission in connection with the Merger prepared in accordance with the Prospectus Regulation Rules and approved by the FCA.

The LondonMetric General Meeting has been convened for 2.30 p.m. on 27 February 2024 at the offices of CMS Cameron McKenna Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF at which the Resolution will be proposed. An explanation of the Resolution to be proposed at the meeting is set out in paragraph 16 of this Part 7.

The Board unanimously considers that the Proposals are in the best interests of LondonMetric and its Shareholders and recommends that Shareholders vote in favour of the Resolution to be proposed at the LondonMetric General Meeting, as they have irrevocably undertaken to do in respect of their own beneficial holdings.

The LXI Board has similarly recommended to LXI Shareholders that LXI Shareholders vote in favour of the Scheme at the LXI Court Meeting and vote in favour of the resolution at the LXI General Meeting as they have irrevocably undertaken to do in respect of their own beneficial holdings of LXI Ordinary Shares.

I am writing to give you details of the Proposals, including the background to and reasons for them, to explain why your Board considers the Proposals to be in the best interests of LondonMetric and its Shareholders and to seek your approval of the Resolution.

2. BACKGROUND TO AND REASONS FOR THE PROPOSALS

The boards of directors of LondonMetric and LXI believe that the Merger will build on the strengths and strong track records of both companies to create a new major UK-REIT, aligned to structurally supported sectors with high barriers to entry and income security, with a low cost base, better access to capital through greater scale and enhanced scope for capital recycling and asset management to drive compounding income growth and total returns for shareholders. Specifically, the Merger would result in:

- **The creation of a new major UK-REIT**, with the Combined Group having an EPRA NTA of approximately £4.1 billion, becoming the fourth largest UK-REIT, providing better access to capital and increasing share liquidity.
- **The establishment of a UK-focused triple net lease UK-REIT of scale**, with a highly efficient structure delivering reliable, repetitive and growing income through the cycle. The Combined Group will be structured to continue both companies' long track records of dividend growth, with LondonMetric currently on track for a ninth consecutive year of dividend progression;
- **The formation of a combined £6.2 billion portfolio aligned to structurally supported sectors**, with 93 per cent. exposure to the logistics, healthcare, convenience, entertainment and leisure sectors and with a strong exposure to key operating assets that are mission critical to the occupiers' businesses;

- **Greater scope for capital recycling and superior access to new, larger investment opportunities**, building on LondonMetric's track record of acquisitions, disposals and M&A (£2.8 billion of transactions completed since the start of 2020), and the expectation that the Combined Group's greater scale and liquidity will confer a competitive advantage in pursuing possible transactions;
- **Substantial cost and operating synergies**,⁸ driving faster earnings growth combined with dividend progression through economies of scale, the removal of duplicative costs and increased operating margins and efficiencies, targeting an EPRA cost ratio of 7 to 8 per cent. in the medium term;
- **Leadership by a highly regarded management team with strong shareholder alignment**, with the Combined Group drawing on the strengths of both companies under the leadership of LondonMetric's highly experienced board and senior management team to create a leading internal management platform holding material shareholders with deep market knowledge and strong occupier relationships. The Combined Group will benefit from a highly disciplined approach to capital allocation through pursuing identified opportunities within the combined portfolio for asset and investment management, recycling capital and seizing new and accretive growth opportunities;
- **Strong income longevity and security**, with a sector leading WAULT of 19 years on FRI leases, 99 per cent. occupancy and high quality occupier covenants. Strong income compounding prospects will be delivered through index-linked and fixed uplift leases (which together total 80 per cent. of the rent roll) and reversionary open market rent reviews (20 per cent. of the rent roll) in sectors that enjoy high barriers to entry and strong levels of occupier demand;
- **Delivery of a Combined Group with a resilient capital structure**, with well staggered debt maturities and a conservative LTV of approximately 31 per cent., on a pro-forma basis taking into account LXi's announced £210 million disposal of Travelodge assets⁹, with weighted average cost of debt of 3.9 per cent., weighted average debt maturity of 5.6 years and, following the arrangement of £700 million of unsecured debt facilities to replace £625 million of secured LXi facilities, £740 million of undrawn headroom;
- **Enhanced and robust credit characteristics**, with improved credit metrics including net debt/EBITDA of 7.2 times and an interest coverage ratio of 3.8 times as at 30 September 2023; a conservative financial policy combined with increased scale puts the Combined Group firmly on the path to a strong investment grade credit rating thereby enhancing access to a broader range of funding sources; and
- **The bringing together of two highly complementary strategic approaches**, with a key focus on income compounding, with reliable, repetitive and growing income underpinning a progressive dividend policy with a strong management platform to access new opportunities and deliver enhanced total shareholder returns.

3. INFORMATION ON LONDONMETRIC

LondonMetric is a public limited company incorporated in England and Wales and is the holding company of the LondonMetric Group. The LondonMetric Group was formed out of a merger between London & Stamford Property Plc and Metric Property Investments Plc, which completed on 25 January 2013 and is a UK-REIT that invests in commercial property, namely distribution, convenience and long income property in the UK. The LondonMetric Group's objective is to own and manage desirable real estate that can deliver reliable, repetitive and growing income-led total returns and outperform over the long term. LondonMetric has consistently delivered attractive compound-led returns through monetising assets, reinvestment and intensive asset management.

As at the Latest Practicable Date, LondonMetric had a market capitalisation of approximately £2 billion and a Rolled-Forward Unaudited EPRA NTA per Ordinary Share of 195.4 pence as at 31 December 2023. LondonMetric's property valuations, supported by valuation reports, have been published in Part 13 (Valuation Reports) of this document.

LondonMetric's Ordinary Shares have traded at an average premium to EPRA NTA of 9 per cent. over the 5 year period to 31 December 2023 and it has a 9 year track record of uninterrupted dividend growth.

⁸ The statement regarding cost and operating synergies resulting from the Merger is not intended as a quantified financial benefit statement and should not be construed as such and is not subject to the requirements of Rule 28 of the Code. The statement should not be interpreted to mean that the cost and operating synergies will necessarily result in a quantifiable benefit to the Combined Group. The statement regarding the targeted EPRA cost ratio is a target and not a profit forecast.

⁹ Excluding the impact of disposal costs.

4. INFORMATION ON LXI

LXi is a public limited company incorporated in England and Wales and is the holding company of the LXI Group. The Company listed in 2017 with an investment strategy focused on diversified real estate let on long-term, inflation-linked leases. LXi seeks to provide its shareholders with regular, attractive income, with the potential to grow the dividend sustainably in absolute terms through upward-only, inflation-protected, very long-term leases, together with capital growth. In July 2022, LXi merged with Secure Income REIT plc to create a larger and more scaled business benefiting from increased growth opportunities and a lower cost structure. LXi has grown from an EPRA NTA of £135.4 million at IPO to £1,920 million on a rolled-forward, unaudited basis as at 31 December 2023.

As at the Latest Practicable Date, LXi had a market capitalisation of approximately £1.8 billion and a Rolled-Forward Unaudited EPRA NTA per LXi Ordinary Share of 112.0 pence as at 31 December 2023. LXi's independent property valuations, supported by valuation reports pursuant to the requirements of the Code, the Listing Rules and the Prospectus Regulation Rules, have been published in Part 13 (Valuation Reports) of this document.

5. INTENTIONS FOR THE COMBINED GROUP

LondonMetric believes that the Combined Group will be well placed to deliver reliable, repetitive and growing income-led total returns that outperform over the long term through its programme of prudent financing, active asset management and capital recycling. This strategy will be delivered by LondonMetric's highly regarded management team. The Combined Group will own and manage predominantly UK property specialising in logistics, healthcare, convenience and leisure sectors with no material exposure to legacy retail and office segments of the market which have recently performed poorly.

Board composition and governance arrangements

Following completion of the Merger, it is expected that Nick Leslau will join the LondonMetric Board as non-executive director. The LondonMetric Board believes that this appointment will deliver an appropriately sized and balanced board, with the complementary experience and skills necessary to drive the Combined Group forward following the Merger and to provide good continuity for LXi Shareholders together with very strong shareholder alignment through an approximately 2.59 per cent. holding in the Combined Group to be held by Nick Leslau and certain entities associated with him of 52,788,122 New Ordinary Shares following completion of the Merger.

Management and employees

As LXi is an externally-managed UK-REIT, LXi does not have any employees and therefore does not operate any pension scheme, nor does it have any arrangements in place for any employee involvement in its capital.

Following completion of the Merger it is intended that, in accordance with the Heads of Terms, LondonMetric will acquire LXi Investment Adviser, and/or the management contract between LXi and the LXi Investment Adviser will be terminated, in either case, for an initial sum of £26 million with a further performance related payment, capped at £4 million. If either of these transactions occur, the employees of the LXi Investment Adviser will become employees of the Combined Group (including by way of TUPE transfer). LondonMetric attaches great importance to the skill and experience of the LXi Investment Adviser team and recognises the important contribution they have made to the business. Should LondonMetric acquire the LXi Investment Adviser and/or the management contract is terminated then the intention is that the LXi Investment Adviser's employees will be retained by LondonMetric to support the delivery of the strategy of the Combined Group, save that immediately on completion of the Merger the senior management of the LXi Investment Adviser will be replaced by LondonMetric.

Following completion of the Merger, certain reporting functions which exist within the LXi Investment Adviser in relation to LXi's status as a publicly traded company may no longer be required or may be reduced in size reflecting the new structure within the Combined Group which could result in limited rationalisation of roles for the LXi Investment Adviser employees that join the Combined Group in the instance that LondonMetric acquires the LXi Investment Adviser and/or the management contract is terminated. LondonMetric does not intend to otherwise make changes to the conditions of employment or balance of skills and functions of such employees of the LXi Investment Adviser.

Listing and registered office

LondonMetric intends to delist LXi immediately following the Effective Date. Consequently, LXi will not require listed company governance structures and accordingly, it is intended that the LXi Directors will cease to be directors of LXi and its subsidiaries (as applicable) following completion of the Merger.

LXi has no place of business, fixed assets (other than its property portfolio), research and development function or headquarters and headquarters function.

REIT status

Both the LondonMetric Group and the LXi Group fall within the UK-REIT regime and benefit from the tax efficiencies provided by that regime. The Combined Group is expected to fall within the UK-REIT regime and the relevant tax efficiencies will continue to apply to the Combined Group.

Trading Facilities

The LXi Ordinary Shares are currently admitted to trading on the London Stock Exchange's Main Market and, as set out in paragraph 14 of this Part 7 (Letter from the Chair), subject to the Scheme becoming Effective, an application will be made to the FCA to cancel LXi's premium listing on the Official List and to the London Stock Exchange to cancel the admission of the LXi Ordinary Shares to trading on the Main Market.

6. SUMMARY HISTORICAL FINANCIAL INFORMATION ON THE LONDONMETRIC GROUP

Summary financial information for the LondonMetric Group for the financial year ended 31 March 2023 and the six-month period ended 30 September 2023 as set out below has been extracted without material adjustment from the audited financial statements of LondonMetric for the year ended 31 March 2023 and from the unaudited consolidated interim financial statements for the six-month period ended 30 September 2023 respectively:

	<i>Year ended 31 March 2023 £m</i>	<i>Six-month period ended 30 September 2023 £m</i>
Revenue	146.7	77.2
Net rental income ⁽¹⁾	146.8	76.9
(Loss)/profit for the year/period attributable to equity shareholders	(506.3)	81.0
EPRA earnings for the year/period	101.1	53.1
Earnings per share – basic (p)	(51.75)	8.01
EPRA earnings per share – basic (p)	10.33	5.25
Dividend per share (p)	9.5	4.8
Investment properties ^{(1) (2)}	3,000.9	3,177.0
Cash and cash equivalents ⁽¹⁾	36.5	28.2
Gross debt ⁽¹⁾	1,030.5	973.7
Loan to value (%) ^{(1) (3)}	32.8	29.5
EPRA net tangible assets	1,956.2	2,178.5
IFRS NAV per share (p)	203.7	204.5
EPRA NTA per share (p)	198.9	199.6

(1) Adjusted to include share of joint ventures and exclude non-controlling interests

(2) Adjusted to include trading property and assets held for sale

(3) Net debt as a percentage of investment property assets, adjusted for deferred completions on sales and acquisitions that exchanged in the period

Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part 7.

7. SUMMARY HISTORICAL FINANCIAL INFORMATION ON THE LXI GROUP

As the proposed Merger constitutes a reverse takeover for the purposes of the Listing Rules and in compliance with LR 13.3.1R, summary financial information for the LXi Group for the three financial years ended 31 March 2021, 31 March 2022, 31 March 2023 and the interim periods ended 30 September 2022 and 30 September 2023 as set out below has been extracted without material adjustment from the audited financial statements of LXi for the years ended 31 March 2021, 31 March 2022, 31 March 2023, and from the unaudited consolidated interim financial statements for the six-month period ended 30 September 2023, respectively:

	Year ended 31 March			Six month period ended 30 September	
	2021 £m	2022 £m	2023 £m	2022 £m	2023 £m
Rental income	42.8	58.5	203.5	75.5	128.3
Profit/(loss) for the year/period and total comprehensive income/(loss)	39.9	162.0	(286.8)	(27.7)	(85.4)
EPRA earnings for the year/period	33.5	43.1	124.4	46.8	69.8
Earnings per share (p)	7.6	22.8	(19.2)	(2.3)	(4.9)
EPRA earnings per share (p)	6.4	6.1	8.3	3.6	4.1
Dividend per share (p)	5.55	6.00	6.30	3.15	3.30
Investment property	887.5	1,480.1	3,569.6	3,911.3	3,347.7
Cash and cash equivalents	87.1	72.5	74.4	95.3	102.0
Bank borrowings	186.6	240.0	1,238.5	1,467.0	1,243.0
Pro forma net loan to value (%) ⁽¹⁾	23.0	22.0	37.0	33.0	38.0
EPRA net tangible assets	781.4	1,299.5	2,075.7	2,422.3	1,955.7
IFRS NAV per share (p)	125.7	142.7	123.0	142.8	116.4
EPRA NTA per share (p)	125.7	142.6	121.1	141.3	114.1

(1) 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.

Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part 7.

8. FINANCIAL EFFECTS OF THE PROPOSALS

An unaudited pro forma statement of net assets of the LondonMetric Group as at 30 September 2023, which has been prepared to illustrate the effect on the consolidated net assets of the LondonMetric Group as if the Merger had taken place on 30 September 2023 and an unaudited pro forma income statement of the LondonMetric Group for the six month period ended 30 September 2023, which has been prepared to illustrate the effect on the consolidated income statement of the LondonMetric Group as if the Merger had taken place on 1 April 2023, are set out in Part 12 (Unaudited Pro Forma Financial Information of the Combined Group) of this document.

The Board believes that the effect of the Merger on the Company will deliver substantial cost and operating synergies, driving faster earnings growth combined with dividend progression through economies of scale, the removal of duplicative costs and increased operating margins and efficiencies, targeting an EPRA cost ratio of seven to eight per cent. in the medium term.¹⁰

9. FINANCING ARRANGEMENTS

On 10 January 2024, LondonMetric entered into the Commitment Letter with the Committed Lenders (comprising Barclays Bank Plc, National Westminster Bank Plc, ABN AMRO Bank N.V., Banco Santander, S.A., London Branch, Santander UK Plc and HSBC UK Bank plc) under which the Committed Lenders

¹⁰ The statement regarding costs and operating synergies resulting from the Merger is not intended as a quantified financial benefit statement and should not be construed as such and is not subject to the requirements of Rule 28 of the Takeover Code. The statement should not be interpreted to mean that the cost synergies will necessarily result in a quantifiable benefit to the Combined Group.

offered, subject to certain conditions, to enter into the unsecured £700,000,000 Proposed Facilities Agreement within five business days of a request by LondonMetric. The Proposed Facilities Agreement comprises a £560,000,000 revolving facility with a term of four years (with two options to extend the term by one year each) and a £140,000,000 term facility with a term of two years (with an option to extend the term by one year). LondonMetric may, subject to approval from a Committed Lender, increase the total commitments of the revolving facility by an aggregate maximum amount of £175,000,000.

On 10 January 2024, LondonMetric also entered into the Backstop Commitment Letter with the Backstop Committed Lenders (comprising Barclays Bank Plc and National Westminster Bank Plc) who offered, subject to certain conditions, to enter into an unsecured £211,100,000 Proposed Backstop Facility Agreement within five business days of a request by LondonMetric. The facility will have a term of 12 months from the date of the Backstop Commitment Letter. LondonMetric has the option to extend the term of the facility agreement by six months, and by a further six months.

The purpose of the Proposed Facilities Agreement and the Proposed Backstop Facility Agreements is to repay certain LXi facility agreements if required. It is expected that the Proposed Facilities Agreement shall be used to repay the loans under the LXi 2023 Syndicated Facility Agreement and the loans under the LXi HSBC Facility but the proceeds can also be used for general corporate purposes.

Under the Proposed Facility Agreement and the Proposed Backstop Facility Agreement, LondonMetric will be the borrower and certain subsidiaries will act as guarantors. The main conditions to the Proposed Facilities Agreement and the Proposed Backstop Facilities Agreement are (a) for each proposed facility agreement to be executed prior to the longstop date of 10 July 2024, and (b) that no person or group of persons acting in concert gain control of LondonMetric. The availability of the Proposed Facilities Agreement and, if required, the Proposed Backstop Facilities Agreement, are committed subject to the satisfaction of these conditions and other customary conditions the satisfaction of which are within the control of LondonMetric. The Commitment Letter may be terminated by the Committed Lenders and the Backstop Commitment Letter may be terminated by the Backstop Committed Lenders if (a) any of the conditions are not met, or (b) the Merger has lapsed, is withdrawn, is terminated or has failed in accordance with its terms.

Further details in relation to the Commitment Letter and Proposed Facilities Agreement are set out in paragraph 15.1.3(i) of Part 14 (Additional Information) on page 200 of this document and further details in relation to the Backstop Commitment Letter and Proposed Backstop Facility Agreement are set out in paragraph 15.1.3(ii) of Part 14 (Additional Information) on page 201 of this document.

10. ISSUE OF NEW ORDINARY SHARES AND DILUTION

Subject to the Merger becoming Effective, up to 942,960,279 New Ordinary Shares will be issued and this will result in LondonMetric's issued share capital increasing by approximately 86 per cent.. If the Merger becomes Effective, Shareholders will suffer an immediate dilution as a result of the Merger following which they will hold approximately 54 per cent. of the Enlarged Share Capital. Assuming that the maximum number of New Ordinary Shares are issued to LXi Shareholders, each LondonMetric Shareholder will be diluted by up to approximately 46 per cent.

11. CONDITIONS TO THE MERGER

The Merger is subject to the terms and conditions set out in the Scheme Document. The Merger will be conditional upon the Scheme becoming unconditional and becoming Effective, subject to the Code, by not later than 11.59 p.m. on the Long-stop Date.

The Conditions include, among other things:

- (a) the approval of the Scheme by a majority in number representing 75 per cent. or more in value of the Scheme Shareholders entitled to vote and present and voting, either in person or by proxy, at the LXi Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting;
- (b) the LXi Court Meeting and any separate class meeting which may be required by the Court or any adjournment of any such meeting being held on or before the 22nd day after the expected date of the

LXi Court Meeting, to be set out in the Scheme Document (or such later date as may be agreed by LondonMetric and LXi in writing and the Court may allow);

- (c) all resolutions in connection with, or necessary to approve and implement the Scheme, as set out in the notice of the LXi General Meeting, being duly passed by the requisite majority or majorities at the LXi General Meeting, or at any adjournment of that meeting;
- (d) the LXi General Meeting or any adjournment of that meeting being held on or before the 22nd day after the expected date of the LXi General Meeting, to be set out in the Scheme Document (or such later date as may be agreed by LondonMetric and LXi and the Court may allow);
- (e) the sanction of the Scheme (without modification, or with such modifications as are agreed by LondonMetric and LXi) by the Court;
- (f) the passing at the LondonMetric General Meeting (or at any adjournment of that meeting), in each case by the requisite majority of LondonMetric Shareholders, of any resolution to approve, effect and implement the Merger;
- (g) the FCA having acknowledged to LondonMetric or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Ordinary Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied;
- (h) the London Stock Exchange having acknowledged to LondonMetric or its agent (and such acknowledgement not having been withdrawn) that the New Ordinary Shares will be admitted to trading on the Main Market; and
- (i) delivery of the Court Order having been made to the Registrar of Companies.

12. STRUCTURE OF THE MERGER

12.1 *Scheme of Arrangement and Consideration*

It is intended that the Merger will be effected by means of a scheme of arrangement between LXi and LXi Shareholders under Part 26 of the Companies Act.

The purpose of the Scheme is to provide for LondonMetric to become the owner of the whole of the issued and to be issued ordinary share capital of LXi. The procedure involves, amongst other things, an application by LXi to the Court to sanction the Scheme, in consideration for which LXi Shareholders who are on the register of members at the Scheme Record Time will receive consideration on the basis set out in paragraph 1 of this Part 7.

Upon the Scheme becoming Effective:

- (a) the CREST accounts of the LXi Shareholders who hold Scheme Shares in uncertificated form will be credited with the New Ordinary Shares in consideration for their Scheme Shares; and
- (b) LXi Shareholders who hold their Scheme Shares in certificated form will receive share certificates in respect of New Ordinary Shares in consideration for their Scheme Shares,

in each case no later than 14 days after the Effective Date.

The New Ordinary Shares will be issued in registered form and will be capable of being held in both certificated and uncertificated form. They will rank *pari passu* in all respects with the existing Ordinary Shares, including the rights to receive all dividends and other distributions (if any) declared, made or paid by LondonMetric by reference to a record date falling after the Effective Date.

Fractions of New Ordinary Shares will not be allotted or issued pursuant to the Merger and entitlement of LXi Shareholders will be rounded down to the nearest whole number of New Ordinary Shares. All fractional entitlements to New Ordinary Shares will be aggregated and sold in the market as soon as practicable after the Effective Date. The net proceeds of sale (after deductions of all expenses and commissions incurred in connection with the sale) will be distributed by LondonMetric in due proportions to LXi Shareholders who would otherwise have been entitled to such fractions provided individual entitlements to amounts of less than £5 will not be paid to LXi Shareholders but will instead be retained for the benefit of LondonMetric.

12.2 **Conditions**

The implementation of the Scheme will be subject to the Conditions, certain of which are summarised in paragraph 11 of this Part 7.

If the Scheme does not become Effective by 11.59 p.m. on the Long-stop Date, the Scheme will lapse and the Merger will not take place.

Under the Companies Act, the Scheme also requires the sanction of the Court. The hearing by the Court to sanction the Scheme is expected to be held on 4 March 2024, subject to satisfaction or waiver of the other Conditions. LondonMetric has confirmed that it will be represented by counsel at such hearing so as to consent to the Scheme and undertake to the Court to be bound thereby.

Once the necessary approvals from LXi Shareholders have been obtained and the other Conditions have been satisfied, or (where applicable) waived, the Scheme will become effective upon sanction by the Court and the delivery of a copy of the Court Order to the Registrar of Companies. Upon the Scheme becoming effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted in favour of the Scheme at the LXi Court Meeting or the resolution proposed at the LXi General Meeting.

12.3 **Completion**

Assuming the satisfaction or waiver of all Conditions, completion of the Merger is expected to occur by 5 March 2024. Any revision to this will be promptly notified to LondonMetric Shareholders, by LondonMetric, via a Regulatory Information Service. Following completion of the Merger, LondonMetric will announce that the Merger has taken effect. The announcement will be made by way of a press release dispatched via a Regulatory Information Service.

Following completion of the Merger, LondonMetric will retain its premium listing as a commercial company under Chapter 6 of the Listing Rules. The Merger will have no effect on the obligations of LondonMetric under the Listing Rules nor will it have any impact on its ability to comply with its ongoing obligations under the Listing Rules.

12.4 **Election to switch**

LondonMetric has reserved the right to elect (with the consent of the Panel) to implement the Merger by way of a Takeover Offer. In this event, the Takeover Offer will be implemented on the same terms and conditions (subject to appropriate amendments). If LondonMetric does elect to implement the Merger by way of a Takeover Offer, and if sufficient acceptances of such offer are received and/or sufficient LXi Ordinary Shares are otherwise acquired, it is the intention of LondonMetric to apply the provisions of Chapter 3 of Part 28 of the Companies Act to acquire compulsorily any outstanding LXi Ordinary Shares to which such offer relates.

13. **DIVIDENDS**

LondonMetric dividends

LondonMetric Shareholders will be entitled to receive and retain LondonMetrics's third quarterly dividend in respect of the quarter ended 31 December 2023 (the "**LondonMetric Third Quarterly Interim Dividend**"), which is expected to be declared on 22 February 2024 and is due to be paid on 8 April 2024 to LondonMetric Shareholders on LondonMetric's register of members at the close of business on 1 March 2024. Based on the expected dividend payment timetable only existing LondonMetric Shareholders will be entitled to this dividend.

In addition, for each subsequent calendar quarter which ends before the Effective Date, LondonMetric Shareholders will also be entitled to receive any quarterly dividend announced, declared or paid by LondonMetric in respect of such period in the ordinary course and consistent with past practice of LondonMetric as to amount. Any dividend that is permissible under these criteria is a "**LondonMetric Permitted Dividend**". LondonMetric will only declare a LondonMetric Permitted Dividend if LXi declares a LXi Permitted Dividend (as defined below) and LondonMetric will ensure that the record date of any LondonMetric Permitted Dividend will be set sufficiently prior to the Scheme Record Time, such that LXi

Shareholders will not be entitled to receive that LondonMetric Permitted Dividend in addition to the relevant LXi Permitted Dividend.

Save in respect of the LondonMetric Third Quarterly Dividend and a LondonMetric Permitted Dividend, LondonMetric has agreed not to authorise, declare, make or pay any dividend or other distribution per Ordinary Share per quarter on or after the date of the Announcement and prior to the Effective Date.

The New Ordinary Shares will be issued credited as fully paid-up and will rank *pari passu* in all respects with the Existing Ordinary Shares in issue at the time the New Ordinary Shares are issued, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date on or after the Effective Date. Accordingly, based on the expected timetable for the Merger to become Effective, LXi Shareholders, assuming the LXi Shareholder has retained their New Ordinary Shares, would receive the LondonMetric fourth quarterly interim dividend for the period January to March 2024, which is expected to be paid in July 2024. It is anticipated that the value of the dividend received by such LXi Shareholders in respect of their New Ordinary Shares for the quarter ending 31 March 2024 would be approximately equivalent to the value of the quarterly dividend paid by LXi in respect of the corresponding holding of LXi Ordinary Shares in each of the first three quarters of the financial year ending 31 March 2024, with LondonMetric targeting a dividend increase of 7.4 per cent. to 10.2p per share for the financial year ending 31 March 2024.¹¹

Following the Effective Date, the Company will continue to adopt a progressive dividend policy, increasing the level of dividends paid as its earnings grow. The Directors and the Proposed Director expect that the dividend will continue to be paid quarterly and that a scrip alternative will continue to be offered.

LXi dividends

LXi Shareholders will be entitled to receive and retain LXi's third quarterly interim dividend in respect of the quarter ended 31 December 2023 (the "**LXi Third Quarterly Interim Dividend**") which was declared on 30 January 2024 and is due to be paid on 1 March 2024 to LXi Shareholders on LXi's register of members at the close of business on 9 February 2024.

In addition, for each calendar quarter which ends before the Effective Date, LXi Shareholders will be entitled to receive and retain any quarterly dividend announced, declared or paid by LXi in respect of such period in the ordinary course and consistent with past practice of LXi as to timing and amount (provided that any LXi Permitted Dividend must be announced sufficiently prior to the Scheme Record Time to give LondonMetric sufficient time for it to declare a LondonMetric Permitted Dividend). Any dividend that is permissible under this criteria is a "**LXi Permitted Dividend**".

Other than the LXi Third Quarterly Interim Dividend and any LXi Permitted Dividend, if any dividend or other distribution is authorised, declared, made or paid in respect of LXi Ordinary Shares on or after the date of this document and with a record date on or before the Effective Date, LondonMetric has reserved the right to reduce the consideration payable for each LXi Ordinary Share under the Merger accordingly by reference to the amount per LXi Ordinary Share of all or part of any such dividend or other distribution.

To the extent that such a dividend or distribution has been declared but not paid prior to the Effective Date, and such dividend or distribution is cancelled, then the Exchange Ratio shall not be subject to change in accordance with this paragraph.

Any exercise of rights referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the terms of the Merger.

14. DEALINGS

Prior to the Scheme becoming Effective, applications will be made to the FCA for the cancellation of the listing of LXi Ordinary Shares on the Official List and to the London Stock Exchange to cancel the trading of LXi Ordinary Shares on the Main Market, in each case to take effect from or shortly after the Effective Date. The last day of dealings in LXi Ordinary Shares on the Main Market is expected to be 4 March 2024, being

¹¹ This is a target and not a profit forecast.

the Business Day immediately prior to the Effective Date and no transfers will be registered after 5.00 p.m. on that date.

On the Effective Date, LXi will become a wholly owned subsidiary of LondonMetric and share certificates in respect of LXi Ordinary Shares will cease to be valid and should be destroyed. In addition, entitlements to LXi Ordinary Shares held within the CREST system will be cancelled on the Effective Date.

Upon the Scheme becoming Effective, LondonMetric (and/or its nominee(s)) will acquire LXi Ordinary Shares fully paid and free from all liens, equitable interests, charges, encumbrances and other third party rights of any nature whatsoever and together with all rights attaching to them including the right to receive and retain all dividends and distributions (if any) declared or made after the Effective Date.

15. LISTING, DEALING AND SETTLEMENT

Applications will be made to the FCA for the New Ordinary Shares, to be issued in consideration for the Merger, to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Main Market.

It is expected that Admission will become effective and that unconditional dealings in the New Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London Time) on 6 March 2024. No application is currently intended to be made for the Existing Ordinary Shares or the New Ordinary Shares to be admitted to listing or dealt with on any other exchange.

On completion of the Merger, the New Ordinary Shares will be issued credited as fully paid, and on identical terms to and will rank *pari passu* with the Existing Ordinary Shares (including the right to receive and return all dividends and other distributions declared, made or paid on the Ordinary Shares after the Merger becomes Effective). The New Ordinary Shares will be registered in the names of the persons to whom they are issued, either:

- in certificated form, with the relevant share certificate expected to be despatched by post, at the applicant's risk, within seven days of Admission; or
- in CREST, with delivery (to the designated CREST account) of the New Ordinary Shares applied for expected to take place as soon as possible after 8.00 a.m. on 6 March 2024.

16. GENERAL MEETING

Your attention is again drawn to the fact that the Merger is conditional and dependent upon the Resolution being passed (in addition to other conditions which must be satisfied before the Merger can be completed). Due to the size of LXi when compared with LondonMetric, the Merger is classed as a reverse takeover under the Listing Rules and its implementation requires the approval of Shareholders.

You will find set out at the end of this document a Notice of General Meeting convening a general meeting of the Company to be held on 27 February 2024 at 2.30 p.m. at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF. The full text of the Notice of General Meeting is set out in Part 16 (Notice of General Meeting) of this document.

At the LondonMetric General Meeting, the Resolution will be proposed as an ordinary resolution to:

- (1) approve the Merger as a reverse takeover transaction for the purposes of Chapter 10 of the Listing Rules and authorise the Directors to take all steps and enter all agreement and arrangements necessary or appropriate to implement the Merger; and
- (2) authorise the Directors generally and unconditionally to allot the New Ordinary Shares up to an aggregate nominal amount of £94,206,028 in connection with any allotment of New Ordinary Shares pursuant to the Scheme.

The Company is calling the LondonMetric General Meeting on less than 21 days' notice as permitted by the enabling resolution passed at the Company's annual general meeting held on 12 July 2023. The Company considers doing so to be merited by the business of the meeting and considers proceeding to Admission and completion of the Merger as soon as possible and minimising the risk of events arising which may result in the Merger not proceeding, to be to the advantage of Shareholders as a whole.

17. IRREVOCABLE UNDERTAKINGS, LETTER OF INTENT AND LOCK-IN COMMITMENT

LondonMetric General Meeting

LondonMetric has received irrevocable undertakings from each of the LondonMetric Directors to vote in favour of the Resolution to be proposed at the LondonMetric General Meeting in relation to the Merger and related matters, in respect of a total of, in aggregate, 9,334,273 Ordinary Shares, representing approximately 0.85 per cent. of the ordinary share capital of LondonMetric in issue on the Latest Practicable Date.

LXi Court Meeting and LXi General Meeting

LondonMetric has received irrevocable undertakings from each of the LXi Directors to vote in favour of the Scheme at the LXi Court Meeting and vote in favour of the LXi Resolution to be proposed at the LXi General Meeting (or, in the event that the Merger is implemented by way of a Takeover Offer, to accept or procure the acceptance of the Takeover Offer), in respect of a total of 96,878,432 LXi Ordinary Shares, representing, approximately 5.65 per cent. of the issued ordinary share capital of LXi on the Latest Practicable Date.

In addition to the irrevocable undertakings referred to above received from the LXi Directors, LondonMetric has also received a letter of intent from Artemis Investment Management LLP to vote in favour of the Scheme at the LXi Court Meeting and to vote in favour of the LXi Resolution to be proposed at the LXi General Meeting (or, in the event that the Merger is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) in respect of a total of 127,417,972 LXi Ordinary Shares, representing approximately 7.43 per cent. of the issued ordinary share capital of LXi on the Latest Practicable Date.

In total, therefore, LondonMetric has received irrevocable undertakings and a letter of intent representing, in aggregate, approximately 13.08 per cent. of the issued ordinary share capital of LXi in issue on the Latest Practicable Date.

Lock-in Commitment

In addition, Nick Leslau has agreed, pursuant to the abovementioned irrevocable undertaking, that, subject to certain customary exceptions, during the period of 12 months following the Effective Date, Nick Leslau and certain entities associated with him will not offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, the 39,591,092 New Ordinary Shares (or any interest therein or in respect thereof) to be issued to him on completion of the Merger or enter into any transaction with the same economic effect as any of the foregoing. The number of New Ordinary Shares subject to the lock-in commitment is approximately equivalent to the entirety of Nick Leslau's economic interest in New Ordinary Shares.

18. ACTION TO BE TAKEN IN RESPECT OF THE LONDONMETRIC GENERAL MEETING

LondonMetric is seeking approval of the Merger at the LondonMetric General Meeting and your support is important to us.

To vote on the Resolution you may vote by:

- logging on to www.signalshares.com and following the procedures on the website;
- utilising the CREST electronic proxy appointment service;
- appointing a proxy electronically via the Proxymity platform; or
- completing and returning a Form of Proxy to the Company's registrars, Link Group (which can be requested by contacting the Link Group),

Whether or not you intend to be present at the LondonMetric General Meeting in person, in order for a proxy appointment to be valid, it is important that you have recorded proxy details using one of the methods so as to arrive or be received by no later than 2.30 p.m. on 23 February 2024. Appointment of a proxy will not preclude you from attending the LondonMetric General Meeting in person, if you so wish and are entitled.

Further details are set out in the Notice of General Meeting at the end of this document.

Recipients of this document who are the beneficial owners of Ordinary Shares held through a nominee should follow the instructions provided by their nominee or consult their professional adviser if no instructions have been provided.

If you have any queries relating to this document or attending and voting at the LondonMetric General Meeting, please telephone the Registrar on 0371 664 0391 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Registrar helpline is open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

19. RISKS AND FURTHER INFORMATION

Attention is drawn to the risks and additional information contained in the “Risk Factors”, “Information on LondonMetric”, “Information on LXi” and “Additional Information” sections of this document. Recipients of this document are advised to read the whole of this document and not rely only on the summary information presented in the “Summary” section of this document.

20. LXI BOARD RECOMMENDATION

The LXi Board has recommended to LXi Shareholders that LXi Shareholders vote in favour of the Scheme at the LXi Court Meeting and vote in favour of the LXi Resolution to be proposed at the LXi General Meeting as they have irrevocably undertaken to do (or procure to be done) in respect of their own beneficial holdings of, in aggregate 96,878,432 LXi Ordinary Shares representing, in aggregate, approximately 5.65 per cent. of the ordinary share capital of LXi in issue on the Latest Practicable Date.

21. LONDONMETRIC BOARD RECOMMENDATION

The Board has received financial advice from Barclays, Peel Hunt and J.P. Morgan Cazenove in relation to the Proposals. In providing their advice, Barclays, Peel Hunt and J.P. Morgan Cazenove have relied upon the Directors’ commercial assessments of the Proposals.

The Merger constitutes a reverse takeover for LondonMetric for the purposes of the Listing Rules. Accordingly, the Merger will be conditional on the approval of the Shareholders of the Merger and related matters at the LondonMetric General Meeting. The Resolution is an ordinary resolution seeking shareholder approval of the Merger and the authority to issue and allot the New Ordinary Shares.

The Board considers that the Proposals and the Resolution are in the best interests of the Shareholders as a whole. The Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the LondonMetric General Meeting, as the LondonMetric Directors have irrevocably undertaken to do in respect of their own beneficial holdings, as set out below.

The LondonMetric Directors have therefore undertaken to vote in favour of the Resolution to be proposed at the LondonMetric General Meeting in respect of 9,334,273 Ordinary Shares representing, in aggregate, 0.85 per cent. of the existing share capital of LondonMetric as at the Latest Practicable Date.

Yours faithfully,

Alistair Elliott
Chair

PART 8

INFORMATION ON THE LONDONMETRIC GROUP

1. INTRODUCTION

LondonMetric is a public limited company incorporated in England and Wales and is the holding company of the LondonMetric Group. The LondonMetric Group is a UK-REIT that invests in UK commercial property, predominantly distribution and grocery-led long income property. The LondonMetric Group's objective is to own and manage desirable real estate that can deliver reliable, repetitive and growing income-led total returns and outperform over the long term.

The LondonMetric Group was formed out of a £830 million merger between London & Stamford Property Plc and Metric Property Investments plc, which completed on 25 January 2013 and created a top 10 UK-REIT.

LondonMetric's history can be traced back to Pillar Property Plc, an investment fund founded in 1991 by Raymond Mould and Patrick Vaughan. In 1994, Pillar Property Plc was valued at £170 million following its initial public offering and was sold to The British Land Company Plc for £811 million in July 2005. After the sale, Messrs. Mould and Vaughan started a new property venture in London & Stamford Property Plc.

London & Stamford Property Plc experienced strong growth via significant investments in London and South-East offices, London residential and distribution warehouses. In November 2007, it raised £246 million in its initial public offering before raising an additional £225 million in 2009 and converting to a REIT in 2010 at which point its shares were listed on the premium segment of the Official List and admitted to trading on the London Stock Exchange's Main Market.

Following the sale of Pillar Property Plc to The British Land Company Plc, Andrew Jones, who had been on the board of Pillar Property Plc, joined the board of The British Land Company Plc as Head of Retail. Andrew Jones and former Pillar Property Plc and The British Land Company Plc colleagues Valentine Beresford and Mark Stirling established Metric Property Investments plc in 2010. Metric Property Investments plc raised £190 million in its initial public offering in March 2010 and built up a portfolio of out of town retail property comprising over 1 million square feet of assets benefiting from long unexpired lease lengths, high occupancy and low average passing rents.

Following the merger in 2013, London & Stamford Property Plc's Chief Executive, Patrick Vaughan, became Executive Chairman of LondonMetric, while Metric Property Investments plc's chief executive, Andrew Jones, became Chief Executive of LondonMetric. Patrick Vaughan stepped down as Chairman in July 2023 and was succeeded by Alistair Elliott.

The LondonMetric Group has a highly experienced management team with key individuals comprising Andrew Jones, Martin McGann (Finance Director), Mark Stirling (Asset Director), Valentine Beresford (Investment Director) and Andrew Smith (Strategy Director) who have worked together for more than 20 years. All of the team previously worked together at Pillar Property Plc until it was acquired by The British Land Company Plc. Andrew Jones, Mark Stirling, Valentine Beresford and Andrew Smith all then worked for a number of years at The British Land Company Plc, whilst Martin McGann became Finance Director of London & Stamford Property Plc.

Since the merger in 2013, LondonMetric has grown its portfolio substantially, with the portfolio value increasing from £1,217 million in March 2013 to £3,170 million as at 30 September 2023.¹² Over this period, it has also repositioned its portfolio away from operational retail, office and residential property towards distribution and long income sectors that it believes are benefiting from structural shifts and changing consumer shopping habits. This has seen the value of LondonMetric's distribution portfolio increase from £244 million in March 2013 to £2,273 million as at 30 September 2023. Over recent years, LondonMetric's distribution investments have pivoted away from larger box warehousing towards smaller urban logistics warehousing.

¹² Adjusted to include trading property, assets held for sale and share of joint venture and to exclude non-controlling interests

In March 2017, May 2020 and November 2021, LondonMetric undertook equity placings which raised a total of £390 million for committed and potential acquisitions.

In June 2019, LondonMetric completed the acquisition of A&J Mucklow Group plc by way of a scheme of arrangement under Part 26 of the Companies Act which added a £455 million portfolio of highly complementary assets to LondonMetric's portfolio with a high weighting towards urban logistics.

In August 2023, LondonMetric completed the acquisition of CT Property Trust Limited by way of a scheme of arrangement under Part VIII of the Companies (Guernsey) Law, 2008 (as amended) which added a £285 million portfolio of highly complementary assets with a high weighting towards urban logistics.

As at the Last Practicable Date, LondonMetric had a market capitalisation of approximately £2.1 billion and, as at 30 September 2023, had IFRS net assets of £2,222.5 million and EPRA NTA per Ordinary Share of 199.6 pence.

2. DESCRIPTION OF THE PROPERTY PORTFOLIO

As set out in Part A and Part B of Part 13 (Valuation Reports) of this document, the Property Portfolio, including LondonMetric Group's share of joint venture investment properties based on arithmetic apportionments, has been valued as at 31 December 2023 at £3,101 million¹³. There has been no material change in the valuation of the properties which are the subject of the LondonMetric Valuation Reports set out in Part A and Part B of Part 13 (Valuation Reports) of this document.

As at 30 September 2023 the LondonMetric Group had 300 properties across the UK. The portfolio had an occupancy rate of 99 per cent. and a WAULT of 11.3 years, and 59 per cent. of the contracted rent roll was subject to contractual uplifts. The LondonMetric Group categorises its core commercial properties into the following segments:

Distribution – £2,273 million, representing 71.7 per cent. of the Property Portfolio as at 30 September 2023:

- Mega – large scale modern distribution units greater than 500,000 square feet located close to major arterial routes. Strategically located to serve the UK population and attract labour pools.
- Regional – mid size units between 100,000 square feet and 500,000 square feet serving as regional hubs and creating the connecting link in modern supply chains.
- Urban – smaller logistics warehousing, typically less than 100,000 square feet, fulfilling the final journey of delivery. Strategically located in or close to densely populated areas to meet increasing consumer demands for next and same day delivery.

Long income – £744 million, representing 23.5 per cent. of the Property Portfolio as at 30 September 2023:

- Grocery and roadside – includes grocery-led convenience stores, convenience stores with attached petrol filling stations, drive-thru coffee outlets and automated car washes.
- Triple net lease retail – primarily single or cluster properties let to discount, essential, electrical and home retail occupiers.
- Trade, DIY and other – primarily assets let to occupiers that serve trade and DIY customers.
- Leisure – primarily consists of out of town cinemas.

¹³ Excluding trading property and right of use assets totalling approximately £8.0 million

As at 30 September 2023 the split of the Property Portfolio by segment (with developments attributed within the segments) is as follows:

<i>Segment</i>	<i>Number of assets</i>	<i>Capital value (£'m)¹</i>	<i>Contracted rent (£'m)</i>
Mega Distribution	3	314.0	14.2
Regional Distribution	13	590.5	27.9
Urban Logistics	127	1,368.6	62.9
Long Income	131	744.2	43.7
Offices	15	68.6	5.1
Retail Parks	9	83.4	5.2
Residential	2	0.9	0.0
Total	300	3,170.2	159.0

¹ Excludes right of use assets totalling approximately £6.8 million

The ten largest properties by value, as at 30 September 2023, are shown in the table below.

<i>Property</i>	<i>Area ('000 sq ft)</i>	<i>Contracted Rent (£'m)</i>	<i>Occupancy (%)</i>	<i>WAULT to expiry (years)</i>
Primark, T2, Islip	1,062	6.0	100.0	17.0
Eddie Stobart, Dagenham	454	4.1	100.0	20.0
Argos, Bedford	658	4.1	100.0	10.5
THG, Warrington	686	4.1	100.0	21.2
Tesco, Croydon	191	3.0	100.0	14.6
Movianto, Bedford	356	2.8	100.0	23.2
Amazon, Warrington	357	2.4	100.0	8.2
Oak Furniture, Swindon	357	2.2	100.0	12.1
AM Fresh, Huntingdon	303	2.0	100.0	24.5
Clipper, Ollerton	364	2.2	100.0	14.0

The table below sets out a breakdown of the Property Portfolio based on region by value as at 30 September 2023.

<i>Region</i>	<i>Percentage of portfolio (%)</i>
London & South East	54%
Midlands	27%
North West	7%
South West	6%
North East & Yorkshire	4%
Other	2%
Total	100%

In the financial year ended 31 March 2023, 19 properties were acquired by the LondonMetric Group totalling £120.4 million, and 29 properties were disposed by the LondonMetric Group with total sales of £272.5 million. Since 31 March 2023, and including the corporate acquisition of CT Property Trust Limited, 36 properties have been acquired totalling £320.9 million and 25 properties have been disposed totalling £178.4 million. All transactions noted are on an exchanged basis rather than a completed basis.

Please refer to Part 13 (Valuation Reports) of this document for further information on the valuation of the Property Portfolio.

3. INFORMATION ON THE BOARD

The Directors are responsible for the determination of the investment strategy of the Company and its overall supervision, including compliance with the Corporate Governance Code. The Directors are as follows:

- 3.1.1 Andrew Jones (Chief Executive) was a co-founder and chief executive of Metric Property Investments plc from its inception in March 2010 until its merger with London & Stamford Property Plc in January 2013. On completion of the merger, Andrew became Chief Executive of LondonMetric. Andrew was previously executive director and head of retail at The British Land Company Plc. Andrew joined The British Land Company Plc in 2005 following the acquisition of Pillar Property Plc where he served on the main board.
- 3.1.2 Martin McGann (Finance Director) joined London & Stamford Property Plc in September 2008. From 2002 to 2005 he worked for Pillar Property Plc, latterly as finance director. Between 2005 and 2008, Martin was a director of Kandahar Real Estate. Prior to joining Pillar Property Plc, Martin was finance director of the Strategic Rail Authority, a body with responsibility for the strategic planning for UK railways, and head of real estate finance for Railtrack Plc. Martin is a qualified chartered accountant having trained and qualified with Deloitte.
- 3.1.3 Alistair Elliott (Non-executive Chair) was appointed to the Board on 26 May 2022. He retired on 31 March 2022 as senior partner and chair of the Knight Frank Group Executive Board, where he drove the group's global strategy. Alistair has also previously been vice chair and trustee of LandAid, a member of the BPF Policy Committee and the real estate representative of the Professional and Business Services Council, chairman of the Office Agents Society and chair of the Property Advisors Forum. He is also a member of the Prince's Council, chairman of the Commercial Property, Development Committee for the Duchy of Cornwall, member of the Council for the Duchy of Lancaster and non-executive director to the Board of Grosvenor Great Britain and Ireland.
- 3.1.4 Suzy Neubert (Senior Independent Director) was appointed to the Board on 29 March 2023. She has extensive capital markets and financial services experience as both executive and non-executive director. Her executive director roles have included managing director of equities at Merrill Lynch followed by 14 years as global head of sales & marketing at J O Hambro Capital Management. Suzy previously held the position of senior independent director of Witan Investment Trust Plc, having retired on 4 May 2023.
- 3.1.5 Suzanne Avery (Non-executive Director) was appointed to the Board on 22 March 2018. She is currently a Church Commissioner, senior advisor to Centrus Advisors and a non-executive director of Richmond Housing Partnership Limited. She is a co-founder of Real Estate Balance and was previously a trustee of LandAid. Suzanne has over 25 years' experience in corporate banking, holding various managing director roles at RBS, including managing director of Real Estate Finance Group & Sustainability, where she was responsible for REITs, Funds and London based private property companies.
- 3.1.6 Robert Fowlds (Non-executive Director) was appointed to the Board on 31 January 2019. He has over 35 years' experience in real estate and is a chartered surveyor. He was head of real estate investment banking at J.P. Morgan Cazenove until 2015 and, prior to joining J.P. Morgan Cazenove in 2006, an equity analyst at Merrill Lynch and Dresdner Kleinwort Benson. He was most recently a non-executive director of UK Commercial Property REIT Limited, until August 2021. He is currently a member of the Supervisory Board of Klepierre S.A.
- 3.1.7 Andrew Livingston (Non-executive Director) was appointed to the Board on 31 May 2016. On 2 April 2018, Andrew was appointed chief executive of Howden Joinery Group Plc, having been the chief executive of Screwfix since 2013 to 2018 and previously the commercial and e-commerce director from 2009 to 2013. Before joining Screwfix, Andrew was commercial director at Wyevalle Garden Centres between 2006 and 2008 and then chief operating officer between 2008 and 2009. Andrew has worked previously at Marks & Spencer, CSC Index and B&Q where he was showroom commercial director from 2000 to 2005. Andrew is also a director of Vedoneire Limited.
- 3.1.8 Kitty Patmore (Non-executive Director) was appointed to the Board on 29 January 2021. Kitty is chief financial officer of Harworth Group plc and has 17 years of finance, banking and real estate lending experience drawn from roles at Harwood, DRC Capital and Barclays Bank PLC. She was also formerly a national director of the Investment Property Forum.

4. DIVIDEND POLICY

For the financial year ended 31 March 2023, the Company declared a total dividend of 9.5 pence per share which was an increase of 2.7 per cent. on the previous year and 109 per cent. covered by EPRA earnings per share. For the half year to 30 September 2023, the Company declared and paid a total dividend of 4.8 pence per share which was an increase of 4.3 per cent. on the previous half year and 109 per cent. covered by EPRA earnings per share.

LondonMetric is expected to declare the LondonMetric Third Quarterly Dividend on 22 February 2024 which is due to be paid on 8 April 2024 to LondonMetric Shareholders on LondonMetric's register of members as at the close of business on 1 March 2024. Based on the expected dividend payment timetable only existing LondonMetric Shareholders will be entitled to this dividend.

No further dividends have been declared by the Company.

It is the intention of the Directors and the Proposed Director that the Company will continue to adopt a progressive dividend policy increasing the level of dividends paid as its earnings grow. The Directors expect that the dividend will continue to be paid quarterly and that a scrip alternative will continue to be offered.

The Company is required to meet a minimum distribution test for each year that it is the principal company of a group UK-REIT. This minimum distribution test requires the Company to distribute 90 per cent. of the income profits of the Property Rental Business for each year. The issue of scrip dividends counts towards the minimum distribution test. The Board continues to believe that a continuation of LondonMetric's dividend policy of recent years will enable the Company to continue to meet this minimum distribution requirement.

There can be no guarantee as to the amount of any dividend payable by the Company.

5. PROPERTY MARKET TRENDS

Overview

The Bank of England's response to a higher inflationary environment has ended the era of cheap borrowing with interest rates rising from 0.1 per cent. to the current rate of 5.25 per cent. This economic backdrop of heightened inflation and elevated cost of debt has materially impacted liquidity and valuations in the property market. Total commercial property investment volumes in the UK of £6.7 billion in Q3 2023 represented a 51 per cent. decline compared to Q3 2022, whilst average property yields have moved out materially over the past eighteen months (Source: CBRE Q3 Real Estate Investment Figures 2023).

The impact of higher interest rates is increasingly feeding through into the UK economy, with UK consumer price inflation falling from a peak of 11.1 per cent. in October 2022 to 4.0 per cent. in December 2023. There is now a general consensus that interest rates have peaked and are likely to fall over the next year. This has positively impacted five-year UK swap rates which is widely recognised as a key yardstick for real estate investing and reduced from a peak of 540 bps in July 2023 to approximately 390 bps as at January 2024.

There has been a wide variation in performances across the different real estate sub-sectors. Lower yielding and higher growth real estate that is structurally supported from evolving consumer patterns and demographic trends has seen rapid repricing following a reasonable level of transactional activity. Here, the improving macro backdrop has brought some welcome pricing stability and greater liquidity. This has been particularly evident in the logistics sector which continues to benefit from structural tailwinds of online sales growth as well as the need for corporates to reshore their business operations and rewire their supply chains.

For many sub-sectors without structural tailwinds, pricing recalibration is still ongoing. Up until recently, the more challenged sub-sectors of offices and certain parts of retail such as shopping centres had largely escaped unscathed from the impact of higher interest rates, in part due to very limited transactional evidence. The market is now reassessing values within these sectors despite subdued transactional levels.

The outlook for offices remains highly uncertain with new technology, increasing obsolescence and changing worker preferences creating structural disruption. Remote working and growing ESG demands are impacting the amount, flexibility and quality of office space that companies are requiring. This will inevitably lead to a polarisation of performances across the office sector with some dramatic valuation reductions likely,

particularly as debt expires and loans need to be refinanced. Similarly, the shift in spending online over the last decade has resulted in significant value destruction across large parts of retail real estate, with department store and shopping centre values facing the brunt of falling rents, falling tenants, rising obsolescence and muted new demand.

Overall, according to IPF Consensus Estimates, all property capital values in the UK are forecast to have fallen 5 per cent. in 2023 before increasing marginally in 2024 and rising by 3 per cent. in 2025 (Source: IPF: UK Consensus Forecasts (Autumn 2023) Report). Combined with income returns, all property is forecast to return -0.4 per cent. in 2023, before increasing by 5 per cent. in 2024 and by 8 per cent. in 2025 (Source: IPF: UK Consensus Forecasts (Autumn 2023) Report). Income returns have constituted a large proportion of total property returns over the long run, and the Company believes that those assets that can deliver reliable, repetitive and growing income streams with low operational costs and a high level of inflation protection are likely to be highly attractive across the property investment market.

Logistics & Industrial

After several years of materially stronger than average occupational demand for logistics in the UK, take up for the first nine months of 2023 has fallen back to 13.3 million sq. ft, which is more in line with pre-Covid levels (Source: CBRE UK Logistics Q3 2023 Report). Most apparent has been the reduced demand for big box logistics where, according to CBRE, five lettings in excess of 500,000 sq. ft were transacted in the first nine months compared to eighteen lettings in 2022 (Source: CBRE UK Logistics Q3 2023 Report). Demand for smaller units of 100-300,000 sq. ft has been stronger with 45 lettings compared to 103 in 2022 (Source: CBRE UK Logistics Q3 2023 Report). On the supply side, a record 5.7 million sq. ft of speculative logistics development in the UK was delivered in Q3 2023 (Source: CBRE UK Logistics Q3 2023 Report).

Accordingly, the UK logistics vacancy rate increased from 2.7 per cent. at the start of the year to 4.6 per cent. at the end of September 2023 (Source: CBRE UK Logistics Q1 2023 Report). Notwithstanding this increase, the Company believes that long term demand/supply tension that the sector has benefited from for a number of years remains attractive. Despite falling back from the peak seen during the pandemic, online sales penetration as at October 2023 was 26 per cent. which is still materially higher than the pre-pandemic level of 19 per cent. and is set to reach approximately 30 per cent. by 2027 (Source: Savills "Where now for Logistics October 2023 Report). This is expected to drive further demand for logistics warehousing. Furthermore, with new speculative development starts having fallen materially in response to higher financing costs, rising build costs and falling land values, the Company expects warehousing supply to be curtailed.

Therefore, after many years of strong market rental growth, further growth in logistics rents is expected with rents predicted to have grown by 5 per cent. in 2023 and by between 2 per cent. to 3 per cent. for each of the next four years (Source: Savills "Where now for Logistics October 2023 Report). This rental growth is expected to underpin attractive returns for the industrial sector with industrial property expected to be the top performing commercial property sector, delivering a predicted total return of 8 per cent. per annum between 2023 and 2027 (IPF: UK Consensus Forecasts (Autumn 2023) Report).

The Company continues to believe that urban logistics remains the most attractive sub sector of logistics and has the greatest demand/supply tension. This sub sector enjoys high granularity of occupier demand and ongoing demand from occupiers who continue to evolve operationally by locating closer to their end customer to minimise delivery times, increase accuracy of delivery and satisfy consumer demands for instant gratification. The Company also expects supply to continue to reduce in the strongest cities which will help to maintain rental tension in these locations.

Convenience, grocery and essential retail

Despite the growth in online shopping, the store network still remains an integral part of a retailer's business. Well located, stand-alone or cluster properties that are fit for purpose, right sized and right rented and let on long triple-net leases to grocers, discounters, home and DIY operators continue to be attractive to investors. These occupiers have resilient business models that are less exposed to the impact of the migration of shopping online, offering essential goods and omni-channel optionality.

In the retail grocery sector, online penetration is much lower than that of general merchandise and the grocery store retains its important role in essential spending. However, performances across grocery real estate are polarising as over-sized, over-rented larger format supermarkets continue to face up to the strong competition

from the smaller, right rented, fit for purpose convenience and discount stores which many consumers now prefer due to their value for money proposition. Whereas the top four grocers had 74 per cent. of market share in 2014 this had fallen to 70 per cent. by 2018 and today stands at 65 per cent. (Source: Savills UK Grocery Report 2023). This fall has been driven by the steady growth experienced by the discount grocers, principally Aldi and Lidl.

Sales in the convenience channel are expected to grow from £48.5 billion this year to £59.9 billion by 2028, representing a 4 per cent. compounded annual growth rate (Source: IGD's UK Convenience Market 2023 Report). This growth includes the contribution from further expansion of roadside convenience offerings both through petrol filling stations but also the need to service customers using electric vehicle charging points. The resilient outlook for grocery property is reflected in this sub sector's solid investment activity over the course of 2023, with grocery accounting for approximately 25 per cent. of all retail investment activity and reflecting ongoing investor appetite for assets with smaller lot sizes as well as secure and growing income characteristics (Source: CBRE UK Real Estate Market Outlook Report 2024).

Whilst multi-let and more operationally intensive retail parks have seen many years of value decline, the adoption of omni-channel models and strong representation from discount operators are affording this market some stability and rising occupancy, reduced supply and better pricing equilibrium. Whilst these conditions are not uniform, it is particularly the case around the strongest geographies, where existing space is being lost to other higher value alternatives such as residential.

6. LIQUIDITY AND CASH MANAGEMENT

The LondonMetric Group has a financial forecast model with an integrated income statement, balance sheet and cash flow. It covers the current year and the following two years but has the capability to go out for longer. A base case forecast assumes no acquisitions or disposals unless exchanged or in legal and materially progressed while an assumed case scenario makes assumptions regarding certain unidentified or uncommitted transactions.

The forecast is produced on a Group basis with input from senior management members who provide regular strategic input. The forecast is routinely updated for actual results and transactional activity, changes in rent, debt and overheads. It is reviewed against actual performance and reported to the Board.

The forecast is created in such a manner that key parameters can be easily amended to perform sensitivity analysis, particularly around the timing of investment transactions, lettings and debt assumptions. The forecast models all the unsecured loan covenants which are capable of being flexed to show the impact of a fall in property valuations or in income and an increase in interest rates. The model also presents the maximum amount by which property values and rental income can decrease by before breaching financial covenants which is considered more appropriate than downside sensitivities.

The LondonMetric Group actively maintains a mixture of long term and short term committed facilities that are designed to ensure that it has sufficient available funds for operations and committed investments. The LondonMetric Group's funding sources are diversified across a range of banks and institutions. Weekly cash flow forecasts are prepared for senior management to ensure sufficient resources of cash and undrawn borrowing facilities are in place to meet liabilities as they fall due.

The LondonMetric Group has a blend of fixed and floating rate debt and uses interest rate swaps and caps to manage its interest rate exposure and future interest rate risk for the term of its loans. Although the Board accepts that this policy does not fully eliminate the cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to the risk.

The LondonMetric Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern so that it can provide returns to Shareholders and as such it seeks to maintain an appropriate mix of debt and equity. The capital structure of the LondonMetric Group consists of debt, which includes long term borrowings and undrawn debt facilities, and equity comprising issued capital, reserves and retained earnings. The LondonMetric Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

7. COVENANTS

The LondonMetric Group comfortably complied throughout the six-month period ended 30 September 2023 with the financial covenants contained in its debt funding arrangements and had substantial levels of headroom. Covenant compliance is regularly stress tested for changes in property valuations and income.

The LondonMetric Group's unsecured facilities and private placement loan notes contain gearing and interest cover financial covenants. At 30 September 2023, the LondonMetric Group's gearing ratio as defined within these funding arrangements was 45 per cent. which is significantly lower than the maximum limit of 125 per cent. and interest cover ratio was 4.6 times, comfortably higher than the minimum level of 1.5 times. Property values would have to fall by 44 per cent. and rent by 61 per cent. before banking covenants would be breached.

8. STATEMENT OF CAPITALISATION AND INDEBTEDNESS

Statement of capitalisation

The following table is sourced without material adjustment from the management accounts of the LondonMetric Group for the period ended 31 December 2023 and sets out the capitalisation of the LondonMetric Group as at 31 December 2023, being a date no earlier than 90 days prior to the date of this document.

	As at 31 December 2023 £m
Total current debt	
Guaranteed	–
Secured	–
Unguaranteed/unsecured ⁽¹⁾	40.0
Total non-current debt	
Guaranteed	–
Secured ⁽¹⁾⁽²⁾	147.8
Unguaranteed/unsecured ⁽¹⁾⁽⁷⁾	765.8
Shareholder equity⁽³⁾	
Share capital	109.0
Share premium	580.9
Other reserves ⁽⁴⁾	501.7
Total	<u><u>2,145.2</u></u>

Statement of indebtedness

The following table is sourced without material adjustment from the management accounts of the LondonMetric Group for the period ended 31 December 2023 and sets out the net indebtedness of the LondonMetric Group as at 31 December 2023, being a date no earlier than 90 days prior to the date of this document.

	<i>As at</i> <i>31 December</i> <i>2023</i> <i>£m</i>
A Cash ⁽⁶⁾	26.9
B Cash equivalents	–
C Other current financial assets ⁽⁵⁾	–
D Liquidity (A + B + C)	26.9
E Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	–
F Current portion of non-current debt ⁽¹⁾	(40.0)
G Current financial indebtedness (E + F)	(40.0)
H Net current financial liquidity (G – D)	(13.1)
I Non-current financial debt (excluding current portion and debt instruments) ⁽¹⁾⁽⁷⁾	(913.6)
J Debt instruments	–
K Non-current trade and other payables	–
L Non current financial indebtedness (I + J + K)	(913.6)
M Net financial indebtedness (H + L)	(926.7)

Notes:

1. Debt is shown net of unamortised issue costs and discount on acquisition of subsidiaries
2. Secured debt relates to the AJM Scottish Widows Facility and the Canada Life Facility that are secured by fixed and floating charges over properties owned by the LondonMetric Group
3. Shareholder equity does not include the profit and loss reserve in accordance with Primary Market Technical Note 619.1: Guidelines on disclosure requirements under the Prospectus Regulation and Guidance on specialist issuers published by the FCA in May 2022
4. Other reserves comprise the capital redemption reserve and other reserve
5. The LondonMetric Group has derivative financial instruments that hedge its exposure to floating rate borrowings. As at 31 December 2023 the market valuation of this was an asset of £7.3 million. This sum is not reflected in the statement of indebtedness
6. Cash includes amounts retained in rent and other restricted accounts which are not readily available to the LondonMetric Group for day to day commercial purposes of £14.2 million
7. Non-current financial debt includes lease liabilities of £6.9 million

Indirect and contingent indebtedness

As at 31 December 2023, the LondonMetric Group had no indirect or contingent indebtedness.

PART 9

INFORMATION ON THE LXI GROUP

1. INTRODUCTION

LXi is a closed-ended investment company incorporated in England and Wales on 21 December 2016 and registered as an investment company under Section 833 of the Companies Act. LXi constitutes an “alternative investment fund” (“AIF”) under the Alternative Investment Fund Managers Regulations 2013 (“UK AIFMD”). LXi conducts its affairs so as to enable it to continue to qualify as a UK-REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder). LXi completed its IPO in February 2017 and its ordinary shares are admitted to the premium listing segment (closed-ended investment funds) of the Official List of the Financial Conduct Authority and are traded on the premium segment of the London Stock Exchange’s Main Market.

On 6 July 2022 LXi completed a merger with Secure Income REIT plc, which constituted a reverse takeover for the purposes of the Listing Rules, to create a leading UK sector-diversified, long income UK-REIT, with a substantial, defensive and resilient portfolio. In connection with the merger, on 7 July 2022 the Company issued 802.9 million LXi Ordinary Shares at 143.4 pence per LXi Ordinary Share and paid £390.2 million of cash to the SIR shareholders.

LXi is part of the FTSE 250 Index, which comprises the equities of the 101st to the 250th largest companies that are traded on the Main Market, and the FTSE EPRA/NAREIT Global Real Estate Index Series, which represents general trends in eligible real estate equities worldwide and is widely followed by global real estate investors.

2. BUSINESS OVERVIEW, INVESTMENT STRATEGY AND INVESTMENT POLICY

As LXi is a closed-ended investment company listed on the premium listing segment (closed-ended investment funds) of the Official List, LXi has a published investment policy as set out below.

Investment objective

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

Investment Policy

LXi targets inflation-protected income and capital returns through its diversified portfolio of predominantly UK property assets, let or pre-let to a broad range of tenants with strong financial covenants on long and index-linked leases.

LXi invests in these assets directly or through holdings in special purpose vehicles and seeks to acquire high quality properties, taking into account the following key investment considerations:

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

LXi targets a wide range of resilient sectors including, but not limited to, leisure, industrial, distribution and alternatives. It also focuses on growth sub-sector areas such as discount foodstores, budget hotel operators and “last mile” distribution units fuelled by online retail.

LXi seeks to only acquire assets let or pre-let to tenants with strong financial covenants and on long leases (typically 20 to 30 years to expiry or first break), with index-linked or fixed rental uplifts, in order to provide income security. LXi only invests in assets with leases containing regular upward-only rental reviews. These

reviews typically link the growth in rents to an inflation index such as RPI, RPIX or CPI (with potentially a minimum and maximum level) or alternatively may have a fixed growth rate.

LXi neither undertakes any direct development activity nor assumes direct development risk. However, LXi may invest in fixed-price forward funded developments, provided they are pre-let to tenants with strong financial covenants and full planning permission is in place. In such circumstances, LXi seeks to negotiate the receipt of immediate income from the asset, such that the developer is paying LXi a return on its investment during the construction phase and prior to the tenant commencing rental payments under the terms of the lease.

Where LXi invests in forward funded developments:

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

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

LXi does not invest in other investment funds.

Investment restrictions

LXi invests and manages its assets with the objective of spreading risk and has the following investment restrictions which, in each case, apply at the time of investment:

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

LXi is not required to dispose of any investment or to rebalance its portfolio as a result of a change in the respective valuations of its assets.

The LXi Directors focus on delivering capital growth over the medium-term and reinvest proceeds from disposals of assets in accordance with LXi's investment policy. However, if LXi fail to re-invest the proceeds or part proceeds from any disposal within 12 months of receipt of the net proceeds, the LXi Directors would return those proceeds or part proceeds to Shareholders in a tax efficient manner as determined by the LXi Directors from time to time.

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

The LXi Directors conduct the affairs of LXi so as to enable it to continue to qualify as a UK-REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder).

LXi invests and manages its assets in a way that is consistent with its objective of spreading investment risk and in accordance with its published investment policy and does not conduct any trading activity which is significant in the context of the business of LXi as a whole.

Borrowing policy

LXi seeks to utilise borrowings to enhance equity returns.

The level of borrowing is considered by LXi to be on a prudent basis for the asset class, and seeks to achieve a low cost of funds, whilst maintaining flexibility in the underlying security requirements and the structure of LXi.

LXi applies a medium-term target of 30 per cent. of its Gross Asset Value and adopts a maximum level of aggregate borrowings of 35 per cent. of its Gross Asset Value at the time of drawdown of the relevant borrowings.

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

Following the Merger

Upon completion of the Merger, LXi will become a wholly owned subsidiary of LondonMetric and cease to be an 'alternative investment fund'. Consequently, the application of the UK AIFM Rules will no longer apply and LXi will not be required to have or comply with a published investment policy with investment restrictions. Further LondonMetric intends to delist LXi immediately following the Effective Date and LXi will be re-registered as a private limited company.

3. LXI BOARD

The LXi Directors are responsible for the determination of LXi's investment policy and have overall responsibility for LXi's activities, including the review of investment activity and performance and the control and supervision of LXi's service providers. The LXi Board also approves in advance each potential property acquisition and disposal, along with other significant matters. All of the LXi Directors are non-executive and are independent of the LXi AIFM and the LXi Investment Advisor. The LXi Directors meet at least four times per annum.

The LXi Directors are as follows:

Cyrus Ardalan, Non-Executive Chairman

Cyrus Ardalan is a highly experienced international investment banker with well-established corporate governance expertise and successful credentials as chairman. His career in capital markets spans over 40 years during which he has held senior executive and non-executive roles at leading global banks. He is currently on the board of the Coalition for Epidemic, Preparedness and Innovations and a trustee of the Charities Aid Foundation. He was previously the chairman of the board of OakNorth Bank and was previously non-executive director and chairman of a number of institutions, including Citigroup Global Markets, the International Finance Facility for Immunisation and the International Capital Markets Association. Cyrus spent 15 years at Barclays Bank as vice chairman overseeing a number of areas including the bank's Public Policy and Government Relations units. Prior to this, he held a range of senior positions at Paribas and The World Bank.

Hugh Seaborn, Non-executive Director and Senior Independent Director

Hugh Seaborn brings over 35 years of real estate experience. He spent 13 years as a non-executive at TR Property Investment Trust plc, including four years as chair, and is currently the chief executive officer of Cadogan. He founded and chairs two Business Improvement Districts, The Knightsbridge Partnership and The King's Road Partnership, and is chair of the Sableknight Ltd. Previously, he was chief executive officer of The Portman Estate and prior to that director and head of Investment Management at CBRE. Formerly Hugh has been a member of the Council of the Duchy of Lancaster, chair of the Westminster Property Association, chair of the Estates Business Group, chair of the Knightsbridge Business Group and a member of the Property Advisory Committee for the Natural History Museum. He is a chartered surveyor.

Sandy Gumm, Non-executive Director

Sandy Gumm, BEc, CA (ANZ), is an Australian qualified Chartered Accountant with over 31 years experience. She was until the merger of SIR and LXi, the chief operating officer of and a shareholder in Prestbury Investment Partners Limited, which was, until the merger became effective, the investment adviser to SIR. She qualified as a Chartered Accountant in 1992 and worked for KPMG for nine years in Sydney and London before becoming group financial controller of Burford Holdings Plc, where Nick Leslau was chief executive, in 1995. She was finance director at the time that Prestbury Group Plc was established in 1997 and in 2007 became chief operating officer of Prestbury.

Nick Leslau, Non-executive Director

Nick Leslau, BSc (Hons) Est Man, FRICS, until the merger with SIR, was the chairman and majority shareholder of Prestbury Investment Partners Limited, investment adviser to SIR. Nick is a Fellow of the RICS, who has been chairman and chief executive of Prestbury Investment Holdings Limited since it commenced business in 2000. He was chief executive of Burford Holdings Plc for approximately ten years up to 1997 and group chairman and chief executive of Prestbury Group Plc from 1998. He has sat on many quoted and unquoted company boards including, most recently, Max Property Group Plc, SIR and LXi and is a member of the Bank of England Property Forum.

Ismat Levin, Non-executive Director

Ismat Levin has 28 years experience in commercial, international growth and legal technology-led software industries across NASDAQ-listed and private equity contexts, including as a board observer. She is currently vice president and group general counsel at Synamedia Limited. Before this, Ismat spent almost 20 years at NDS Group as vice president and group general counsel as it grew from a start-up investment owned by News Corporation, to being a NASDAQ listed company for 10 years, to being sold to Cisco Systems, Inc. for \$5 billion. Ismat began her career at Dentons LLP.

4. LXI AIFM AND LXI INVESTMENT ADVISER

LXi Alternative Investment Fund Manager

LXi has appointed Alvarium Fund Managers (UK) Limited as its alternative investment fund manager (the “**LXi AIFM**”). The LXi AIFM is responsible for managing the assets of LXi in accordance with the investment policy of LXi and subject to the overall policies and communicated directions of the Board.

Alvarium Fund Managers (UK) Limited was originally 100 per cent. owned by Alvarium Investments Limited “**Alvarium**”). Alvarium was established in 2009 and grew to become a substantial, international multi-family office and asset manager, supervising assets for families, private individuals and institutions.

In September 2021, Alvarium announced it had signed a merger agreement with two US investment houses, Tiedemann Advisors and TIG Advisors, to create a global investment management group with approximately \$60 billion of assets under management and subsequently listed on the NASDAQ in January 2023. The new group, Alvarium Tiedemann Holdings, has over 450 employees and 22 offices around the world.

LXi Investment Adviser

LXi and the LXi AIFM have appointed the LXi Investment Adviser to provide certain services to the LXi Group including strategy, sourcing and advising on investments by LXi and due diligence in relation to proposed investments. The LXi Investment Adviser has extensive expertise in the purchase and forward funding of commercial property assets let or pre-let on long, index-linked leases to institutional grade tenants with strong financial covenants across a wide range of defensive and robust sectors.

The LXi Investment Adviser comprises property, legal and finance professionals with significant experience in the real estate sector, as described below. The team has capitalised and transacted over £2 billion of commercial property assets with a particular focus on accessing secure, long-let and index-linked UK commercial real estate through forward funding and built asset structures. As noted below, LondonMetric, AITi RE and the LXi AIFM have entered into non-binding Heads of Terms pursuant to which the parties have agreed in principal that LondonMetric will acquire the LXi Investment Adviser and/or the termination of the management arrangements between, amongst others, LXi and the LXi Investment Adviser.

The core management team of the LXi Investment Adviser (whose details are set out below) is supported by a team of other accounting, asset management, compliance, marketing, public relations, administrative and support staff. The key individuals responsible for executing LXi's investment strategy at the LXi Investment Adviser are:

John White

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

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

Simon Lee

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

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

Alex MacEachin

Alex trained and qualified as a chartered accountant in BDO's Real Estate and Construction team from 2013 to 2017, gaining significant experience in the sector, working with similar listed vehicles, private property funds, developers and a number of the UK's top contractors.

Following this, he spent 5 years at Empiric Student Property plc a FTSE 250 REIT where he was group financial controller. Alex's role covers all historical and strategic financial matters including annual and interim reporting, budgeting and forecasting, treasury management and the monitoring of internal controls. Alex is also responsible for the LXi Investment Adviser's reporting to the LXi's board.

Contractual arrangements

LXi and the LXi AIFM are party to the LXi Investment Management Agreement, a summary of which is set out in paragraph 15.2.3(i) of Part 14 (*Additional Information*) of this document, under which the LXi AIFM provides LXi with portfolio management and risk management services and is appointed as the LXi's alternative investment fund manager.

LXi, the LXi AIFM and the LXi Investment Adviser are party to the LXi Investment Advisory Agreement, a summary of which is set out in paragraph 15.2.3(ii) of Part 14 (*Additional Information*) of this document, under which the LXi Investment Adviser provides certain services to LXi and the LXi AIFM in relation to LXi's portfolio, including sourcing investments for acquisition by LXi and due diligence in relation to proposed investments.

Proposed acquisition of the LXi Investment Advisers

LondonMetric, AITi RE and the LXi AIFM have entered into non-binding Heads of Terms pursuant to which each party has agreed the principal terms and conditions in relation to the proposed acquisition by LondonMetric of the LXi Investment Adviser and/or the termination of the management arrangements between, amongst others, LXi and the LXi Investment Adviser, in either case, for an initial sum of £26 million with a further performance related payment, capped at £4 million. LondonMetric is in the process of carrying out due diligence and the parties will look to complete due diligence and agree transaction documents as soon as possible. Each party will bear its own costs.

As at the date of this document, there is no certainty that parties will enter into transaction documents or the terms on which they will do so. If the proposed acquisition by LondonMetric of the LXi Investment Adviser and/or the termination of the management agreements does not occur, the LXi IAA will remain in place and

shall continue on in accordance with its terms as summarised in paragraph 15.2.3(ii) of Part 14 (Additional Information) of this document. In this scenario, LondonMetric is likely to reduce the scope of services provided under the LXI IAA in accordance with its terms and the fees to be paid would likely be calculated by reference to an equivalent basis of LXI's Market Capitalisation until such time as the parties agreed otherwise or reach agreement for an early termination. Any fees payable under the continuing LXI IAA, including any subsequent termination costs, will be treated as transaction costs.

For the avoidance of doubt, these proposed arrangements are not connected to and do not form part of the Merger or the Proposals.

5. OTHER SERVICE PROVIDERS

LXI Administrator

Langham Hall UK Services LLP has been appointed as Administrator to LXI (the "**LXI Administrator**"). The LXI Administrator provides the day-to-day administration of LXI and is also responsible for LXI's general administrative functions, such as calculation of the NAV and maintenance of LXI's accounting and statutory records.

LXI Company Secretary

Law Debenture Corporate Services Limited has been appointed as Company Secretary to LXI and also provides a registered office for the Company (the "**LXI Company Secretary**"). The LXI Company Secretary provides the company secretarial functions required by the Companies Act.

LXI Registrar

Link Market Services Limited has been appointed registrar of LXI (the "**LXI Registrar**"). The Registrar has responsibility for maintaining the register of LXI Shareholders, receiving transfers of LXI Ordinary Shares for certification and registration and receiving and registering LXI Shareholders' dividend payments together with related services.

LXI Depositary

Langham Hall UK Depositary LLP has been appointed as LXI Depositary to provide cash monitoring, safekeeping and asset verification and oversight functions as prescribed by the UK AIFM Rules.

6. PROPERTY PORTFOLIO

Knight Frank valued the LXI Portfolio at £3,023 million in relation to the UK assets in the portfolio and €162 million in relation to the German assets in the portfolio as at 31 December 2023. This unaudited independent valuation includes capital commitments on forward funded assets. The properties comprising the LXI Portfolio were valued on an individual basis and no portfolio premium has been applied. There has been no material change in the valuation of the properties which are the subject of the Knight Frank Valuation Reports set out in Part C of Part 13 (Valuation Reports) of this document, which has an effective date of valuation of 31 December 2023.

At 30 September 2023 the LXI Group had capital commitments of £39.3 million (30 September 2022: £42.5 million) in relation to the cost to complete its forward funded pre-let development assets.

As at the 30 September 2023, the LXI Portfolio comprised 348 fully let and well diversified long income properties, across 13 sub-sectors with multiple underlying uses. The assets are let on long leases averaging 26 years to first break, to over 80 separate tenant operators on low and sustainable rents.

The LXI Portfolio is 100 per cent. let or pre-let under "triple net, full repairing and insuring leases", meaning that the tenant is obligated to pay all taxes, building insurance, other outgoings and repairs and maintenance costs on the property, in addition to the rent and service charge.

As at 30 September 2023, the LXI Portfolio lease arrangements provided annual passing rent of £204.2 million, including assets that had exchanged conditionally at that date, of which 98 per cent. was either fixed or linked to recognised inflation measures and the remaining 2 per cent. was subject to upward only open market reviews. The 98 per cent. fixed and index linked rent reviews are 25 per cent. linked to RPI, 39 per cent. linked to CPI and the remaining 34 per cent. contain fixed uplifts.

As at 30 September 2023, the LXi Portfolio contained a mix of staggered five yearly rent reviews (43 per cent.) and annual rent reviews (57 per cent.).

The table below summarises the 348 assets which form the LXi Portfolio as at 30 September 2023, including assets that had exchanged conditionally as at that date:

<i>Sector</i>	<i>Passing rent p.a. £m</i>	<i>Passing rent p.a. range £m</i>	<i>Rental exposure %</i>	<i>Valuation £m</i>	<i>Valuation yield range %</i>	<i>Value exposure</i>
Healthcare	46.5	0.0 – 9.6	23%	843.8	4.1 – 7.7	26%
Budget hotel	42.8	0.0 – 2.2	21%	603.5	4.9 – 13.5	19%
Leisure	39.3	2.0 – 13.3	19%	561.2	4.9 – 4.9	18%
Foodstores	18.9	0.0 – 2.7	9%	336.8	4.5 – 9.0	11%
Industrial	13.3	0.2 – 3.7	7%	247.0	4.2 – 7.5	8%
Pubs	8.7	0.0 – 3.8	4%	120.6	5.0 – 7.1	4%
Arena	7.3	0.1 – 4.6	4%	85.8	6.8 – 6.8	3%
Car park	4.6	0.0 – 1.1	2%	70.2	5.3 – 6.4	2%
Garden centre	3.3	0.4 – 1.0	1%	53.2	2.2 – 5.9	2%
Life sciences	2.9	2.9 – 2.9	1%	53.9	5.0 – 5.0	2%
Drive-thru coffee	2.5	0.0 – 0.1	1%	37.6	4.6 – 6.1	1%
Education	2.3	0.0 – 0.3	1%	35.5	5.8 – 6.0	1%
Other	11.8	0.0 – 1.9	6%	142.5	5.1 – 9.1	4%
Portfolio	204.2	0.0 – 13.3	100%	3,191.4	2.2 – 13.5	100%

On 8 January 2024, the SIR Group announced that it has exchanged contracts unconditionally on the sale of 66 Travelodge branded hotels to the Travelodge group for £210 million. Completion of the sale is scheduled to occur on 28 February 2024. Other than this disposal, there has been no material change in LXi's portfolio between 30 September 2023 and the date of this document.

7. DEBT FINANCE

The table below provides details of LXi Group's lenders, facility amounts, maximum annual interest rates and final repayment dates as at 30 September 2023:

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

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

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

⁽³⁾ Rate based on drawn debt at 30 September 2023.

S&P Global Ratings assigned its 'BBB-' long-term issuer credit rating to LXi.

8. MARKET OVERVIEW AND TRENDS

As the LXi Group operates in a similar sector to LondonMetric, please refer to paragraph 5 of Part 8 (Information on the LondonMetric Group) of this document for an overview of some of the markets in which LXi operates in addition to the following overviews in relation to the hotels, leisure, entertainment and healthcare sector and the healthcare sector set out below.

Hotels, Leisure and Entertainment

The UK hotel sector has seen a strong recovery following Covid and is experiencing favourable demand/supply dynamics. There has been a contraction in supply, primarily from reduced development and the closure of independent operators, which has coincided with a recovery in demand and a growing consumer preference for staycations given growing household financial pressures. Occupancy rates in 2024 are expected to exceed pre-Covid levels and average daily rates are already materially higher. Whilst UK regions have led the recovery, London has also seen an improving picture as international tourism has recovered. The hotel real estate sub sector has experienced yield expansion since the pandemic with the most pronounced outward shift seen in the regional hotel segment. After a subdued year for hotel investment volumes in 2023, 2024 is expected to see a rebound in transactions helped by a more conducive interest rate environment and more realistic pricing expectations.

The trend towards staycation, where there has been a 35 per cent. increase in the average number of domestic holidays taken per person per year between 2015 to 2022, as well as the recovery in international travel has also supported growth in the entertainment and leisure sector which continues to recover from Covid restrictions. Visitor attraction operators, including theme parks, are seen as a beneficiary of these trends with this sub sector of the leisure and hospitality market proving to be non-cyclical and benefiting from a level of discretionary spend that consumers are unwilling to cut back on. The growth prospects for theme parks is reflected in Disney's recent announcement that it plans to invest \$60 billion on its theme park and cruise ships over the next ten years, an amount that is double what it spent in the last ten years. There are significant barriers to entry for new theme park sites in the UK and the Company sees this sector as providing a key source of long term, defensive and diversified income.

Healthcare

The property sector for healthcare continues to be underpinned by strong demand drivers and supply constraints as development activity slows due to costs and lower risk appetite. Transactional activity has continued, albeit at a reduced pace to recent highs, and there has been some downward pressure on pricing in the sector, largely due to wider economic factors rather than underlying sector principles.

For the private acute market, operational performance is benefiting from the need to address NHS waiting times which is seeing greater private/public sector collaboration. As noted by Private Healthcare Information Network (PHIN), private patient admissions in the UK totaled 820,000 in 2022 which was the highest number recorded since PHIN began collecting data and compares to 757,000 admissions in 2021. The need for private healthcare provision is expected to carry on increasing particularly as the UK's ageing population adds further demand for more advanced services with the number of people of pensionable age expected to grow to 15.2 million by mid-2045, which would represent an increase of 28 per cent. on mid-2020.

9. SHARE CAPITAL OF LXI

As at the Latest Practicable Date, there were 1,714,473,236 LXi Ordinary Shares of one pence each in issue, all which have been issued fully paid, and no LXi Ordinary Shares were held in treasury. The LXi Ordinary Shares are admitted to the premium listing segment of the Official List of the Financial Conduct Authority and are traded on the premium segment of the London Stock Exchange's Main Market.

10. STATEMENT OF CAPITALISATION AND INDEBTEDNESS

Statement of capitalisation

The following table is sourced without material adjustment from the management accounts of the LXi Group for the period ended 31 December 2023 and sets out the capitalisation of the LXi Group as at 31 December 2023, being a date no earlier than 90 days prior to the date of this document.

As at
31 December
2023
£m

Total current debt

Guaranteed	–
Secured ⁽¹⁾⁽²⁾	5.2
Unguaranteed/unsecured	–

Total non-current debt

Guaranteed	–
Secured ⁽¹⁾⁽²⁾⁽⁷⁾	1,537.8
Unguaranteed/unsecured	–

Shareholder equity⁽³⁾

Share capital	17.1
Share premium	–
Other reserves ⁽⁴⁾	2,119.6

Total	3,679.7

Statement of indebtedness

The following table is sourced without material adjustment from the management accounts of the LXi Group for the period ended 31 December 2023 and sets out the net indebtedness of the LXi Group as at 31 December 2023, being a date no earlier than 90 days prior to the date of this document.

As at
31 December
2023
£m

A	Cash ⁽⁵⁾	101.3
B	Cash equivalents	–
C	Other current financial assets ⁽⁶⁾	–
D	Liquidity (A + B + C)	101.3
E	Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	–
F	Current portion of non-current debt ⁽¹⁾⁽²⁾	(5.2)
G	Current financial indebtedness (E + F)	(5.2)
H	Net current financial liquidity (G – D)	96.1
I	Non-current financial debt (excluding current portion and debt instruments) ⁽¹⁾⁽²⁾⁽⁷⁾	(1,537.8)
J	Debt instruments	–
K	Non-current trade and other payables	–
L	Non current financial indebtedness (I + J + K)	(1,537.8)
M	Net financial indebtedness (H + L)	(1,441.7)

Notes:

- 1 Debt is shown net of unamortised issue costs and discount on acquisition of subsidiaries
- 2 Secured debt comprises the following:
 - six different LXi loan facilities that are secured by fixed and floating charges over properties owned by the LXi Group; and
 - leasehold liabilities where the Group has future liabilities due to superior landlords on some of its leasehold properties. These are secured by the superior landlords retaining the freehold title on these assets and the LXi Group has long leasehold titles.
- 3 Shareholder equity does not include the profit and loss reserve in accordance with Primary Market Technical Note 619.1: Guidelines on disclosure requirements under the Prospectus Regulation and Guidance on specialist issuers published by the FCA in May 2022.
- 4 Other reserves comprise the capital redemption reserve, merger reserve and other reserve
- 5 Cash includes amounts retained in rent and other restricted accounts which are not readily available to the LXi Group for day to day commercial purposes of £76.5 million.

- 6 The LXi Group has derivative financial instruments that hedge its exposure to floating rate borrowings. As at 31 December 2023 the market valuation of this was an asset of £25.2 million. This sum is not reflected in the statement of indebtedness
- 7 Current financial debt includes head lease liabilities and other financial liabilities of £1.7 million.
Non-current financial debt includes head lease liabilities and other financial liabilities of £297.3 million.

Indirect and contingent indebtedness

As at 31 December 2023, the LXi Group had no indirect or contingent indebtedness.

PART 10

HISTORICAL FINANCIAL INFORMATION ON THE LONDONMETRIC GROUP

The following documentation contains certain information, as detailed in the table below, which is incorporated by reference in this document:

1. the audited consolidated financial statements of the LondonMetric Group for the financial year ended 31 March 2023; and
2. the unaudited consolidated financial results for the six-month period ended 30 September 2023.

Deloitte LLP of 1 New Street Square, London EC4A 3HQ, which is registered to carry out audit work in the UK and the Republic of Ireland by the Institute of Chartered Accountants in England and Wales, was the auditor for the duration of the period dealt with by the historical financial information set out in this Part 10 (Historical Financial Information on the LondonMetric Group). The auditors of LondonMetric have made reports under the relevant provisions in English company law in respect of these statutory accounts and each report was an unqualified report.

The table below sets out the various sections of such documents which are incorporated by reference into this document. No part of the documents is incorporated by reference herein except as expressly stated below. Any part of each document listed below that are not expressly referenced below are either not relevant for the purposes of this document or are covered elsewhere in this document.

This document should be read in conjunction with these documents, each of which has been previously published and is available for viewing on the Company's website at www.londonmetric.com.

*Information incorporated
by reference into this document*

*Page numbers
in reference document*

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PART 11

HISTORICAL FINANCIAL INFORMATION ON THE LXI GROUP

The following historical financial information on the LXi Group (including those related to SIR Group) is included in the Appendix (LXi Financial Statements) of this document:

LXi Group

1. the audited consolidated financial statements (together with the independent audit report and notes to the financial statements) of the LXi Group for the financial year ended 31 March 2021;
2. the audited consolidated financial statements (together with the independent audit report and notes to the financial statements) of the LXi Group for the financial year ended 31 March 2022;
3. the audited consolidated financial statements (together with the independent audit report and notes to the financial statements) of the LXi Group for the financial year ended 31 March 2023;
4. the unaudited interim consolidated financial results (together with the independent review report and notes to the financial statements) of the LXi Group for the six-month period ended 30 September 2023.

SIR Group

5. the audited consolidated financial statements (together with the independent audit report and notes to the financial statements) of the SIR Group for the financial year ended 31 December 2020;
6. the audited consolidated financial statements (together with the independent audit report and notes to the financial statements) of the SIR Group for the financial year ended 31 December 2021; and
7. the audited consolidated financial information of the SIR Group for the fifteen-month period ended 31 March 2023 (together with the accountant's report thereon).

Aside from the audited consolidated financial information of the SIR Group for the fifteen month period ended 31 March 2023, this information, including the relevant audit opinions or independent review report, has been extracted without material adjustment from the audited consolidated financial statements of the LXi Group for the year ended 31 March 2021 as set out in the LXi Group Annual Report 2021, the audited financial statements of the LXi Group for the year ended 31 March 2022 as set out in the LXi Group Annual Report 2022, the audited financial statements of the LXi Group for the year ended 31 March 2023 as set out in the LXi Group Annual Report 2023, the unaudited financial results of the LXi Group for the six-month period ended 30 September 2023 as set out in the LXi Group Interim Results 2023, the audited consolidated financial statements of the SIR Group for the year ended 31 December 2020 as set out in the SIR Group Annual Report 2020 and the audited financial statements of the SIR Group for the year ended 30 December 2021 as set out in the SIR Group Annual Report 2021. The audit reports in the LXi Group Annual Report 2021, LXi Group Annual Report 2022, LXi Group Annual Report 2023, SIR Group Annual Report 2020 and SIR Group Annual Report 2021 were unqualified. The independent review report in the LXi Group Interim Results 2023 was unqualified.

Any other part of the LXi Group Annual Report 2021, LXi Group Annual Report 2022, LXi Group Annual Report 2023 and LXi Group Interim Results 2023 that are not included in the Appendix to this document are either not relevant for the purposes of this document or are covered elsewhere in this document. Any other part of the SIR Group Annual Report 2020 and SIR Group Annual Report 2021 that are not included in the Appendix to this document are either not relevant for the purposes of this document or are covered elsewhere in this document.

As described above, each of these financial statements has been extracted without material adjustment (in each case, as originally published) and reproduced in the Appendix (LXi Financial Statements) of this document. Consequently, page numbers and other references may no longer be valid (in particular, there may be references to other parts of the annual reports not reproduced in the Appendix). The terms used in the LXi historical financial information have the meaning given to them in the relevant annual reports and accounts and not the meaning given to that term in this document.

The Directors and the Proposed Director confirm that no material adjustment needs to be made to the financial information of the LXi Group for the years ended 31 March 2021, 31 March 2022 and 31 March 2023 and the six months ended 30 September 2023 and the financial information of the SIR Group for the years ended 31 December 2020 and 31 December 2021 and for the fifteen month period ended 31 March 2023 to achieve consistency with the LondonMetric Group's accounting policies for the year ended 31 March 2023. The LXi Group's and SIR Group's accounting policies under which this financial information was prepared are not materially different to the LondonMetric Group's accounting policies.

PART 12

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

Part A: Unaudited Pro Forma Financial Information of the Combined Group

Unaudited pro forma income statement

The unaudited pro forma income statement has been prepared on the basis of the notes set out below to illustrate the effect of the Merger as if it had taken place on 1 April 2023.

The unaudited pro forma income statement has been prepared for illustrative purposes only and illustrates the impact of the Merger as if it had been undertaken at an earlier date. As a result, it presents a hypothetical situation and does not, therefore, represent the LondonMetric Group's actual financial position or results.

The unaudited pro forma income statement is based on the consolidated income statement of the LondonMetric Group for the six-month period ended 30 September 2023 as set out in the unaudited consolidated interim financial statements of the LondonMetric Group for the six-month period ended 30 September 2023, on which a review report has been published.

The unaudited pro forma income statement has been prepared on a basis consistent with the accounting policies adopted by LondonMetric in preparing such information, in accordance with Annex 20 of the PR Regulation and on the basis set out in the notes below.

The Unaudited Pro Forma Financial Information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part 12.

	<i>LondonMetric Group for the six-month period ended 30 September 2023 (note 1) £m</i>	<i>LXi Group for the six-month period ended 30 September 2023 (note 2) £m</i>	<i>Adjustments as a result of the Merger (notes 3 and 4) £m</i>	<i>Pro forma income statement of the Combined Group £m</i>
Revenue	77.2	128.3	–	205.5
Cost of sales	(0.6)	(3.7)	–	(4.3)
Net income	76.6	124.6	–	201.2
Administrative costs	(8.6)	(8.7)	(29.6)	(46.9)
Negative goodwill	–	–	222.9	222.9
Profit/(loss) on revaluation of investment properties	27.6	(161.3)	–	(133.7)
Loss on sale of investment properties	(3.6)	(0.5)	–	(4.1)
Share of losses from joint ventures	1.0	–	–	1.0
Operating profit/(loss)	93.0	(45.9)	193.3	240.4
Finance income	3.5	0.1	–	3.6
Finance costs	(14.9)	(37.0)	–	(51.9)
Profit/(loss) before tax	81.6	(82.8)	193.3	192.1
Taxation	0.3	(0.3)	–	–
Profit/(loss) for the period	81.9	(83.1)	193.3	192.1
Currency translation (loss)	–	(2.3)	–	(2.3)
Total comprehensive income/(loss)	81.9	(85.4)	193.3	189.8

Notes:

1. The consolidated income statement of the LondonMetric Group for the six-month period ended 30 September 2023 has been extracted without material adjustment from the unaudited consolidated interim financial statements of the LondonMetric Group for the six-month period ended 30 September 2023 which are incorporated by reference in this document.

Adjustments:

2. The consolidated income statement of the LXi Group has been extracted without material adjustment from the unaudited consolidated interim financial statements of the LXi Group for the year ended 30 September 2023, which are included in the Appendix of this document.
3. For the purposes of this pro forma financial information, no adjustment has been made to the separate assets and liabilities of the LXi Group to reflect fair value. As shown below, the book value of net assets of the LXi Group at 30 September 2023 exceeds the estimated consideration, resulting in negative goodwill which has been reflected in the pro forma income statement. The net assets of the LXi Group will be subject to a fair value restatement as at the effective date of the transaction. Therefore, the actual adjustment arising from the fair value exercise could result in a goodwill adjustment in the Combined Group's next published financial statements which may be materially different from that included in the pro forma income statement. Furthermore, the fair value exercise may result in consideration exceeding the fair value of net assets, in which case adjustments would be made to the separate assets and liabilities in the Combined Group's next published financial statements rather than negative goodwill in the income statement.

The value attributed to the issued and to be issued ordinary share capital of LXi is £1,772.8 million based upon 1,714,473,236 LXi Ordinary Shares in issue on the Latest Practicable Date and an exchange ratio of 0.55 New Ordinary Shares for each LXi Ordinary Share.

	<i>£m</i>
Consideration payable in Company shares	1,772.8
Book value of the LXi Group's net assets as at 30 September 2023	1,995.7
Negative goodwill	<u>222.9</u>

In addition, no account has been taken in this pro forma financial information of the proposed acquisition by the LondonMetric Group of the LXi Investment Adviser on the basis that no binding purchase commitment has been entered into at the date of this document.

4. The adjustment to administrative costs comprises the estimated fees and expenses and stamp duty incurred in connection with the Merger of £29.6 million, as disclosed in paragraph 23.4 of Part 14 (Additional Information) of this document.
5. The pro forma adjustments are not expected to have a continuing impact on the Combined Group.
6. No account has been taken of the financial performance of the LondonMetric Group since 30 September 2023, the financial performance of the LXi Group since 30 September 2023, nor of any other event save as disclosed above.

Unaudited pro forma statement of net assets

The unaudited pro forma statement of net assets has been prepared on the basis of the notes set out below to illustrate the effect of the Merger as if it had taken place on 30 September 2023.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and illustrates the impact of the Merger as if it had been undertaken at an earlier date. As a result, it presents a hypothetical situation and does not, therefore, represent the LondonMetric Group's actual financial position or results.

The unaudited pro forma statement of net assets is based on the consolidated net assets of the LondonMetric Group as at 30 September 2023 as set out in the unaudited consolidated interim financial statements of the LondonMetric Group for the six-month period ended 30 September 2023 on which a review report has been published.

The unaudited pro forma statement of net assets has been prepared on a basis consistent with the accounting policies adopted by LondonMetric in preparing such information, in accordance with Annex 20 of the PR Regulation and on the basis set out in the notes below.

The Unaudited Pro Forma Financial Information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part 12.

	<i>LondonMetric Group as at 30 September 2023 (note 1) £m</i>	<i>LXi Group as at 30 September 2023 (note 2) £m</i>	<i>Adjustments as a result of the Merger (note 3) £m</i>	<i>Pro forma net assets of the Combined Group £m</i>
Assets				
Non-current assets				
Investment properties	3,125.4	3,347.7	–	6,473.1
Investments in equity-accounted joint ventures	72.2	–	–	72.2
Other investments and tangible assets	1.4	0.2	–	1.6
Derivative financial instruments	16.0	40.0	–	56.0
	<u>3,215.0</u>	<u>3,387.9</u>	<u>–</u>	<u>6,602.9</u>
Current assets				
Assets held for sale	16.9	102.4	–	119.3
Trading properties	1.1	–	–	1.1
Trade and other receivables	7.4	19.2	–	26.6
Cash and cash equivalents	26.2	112.0	–	138.2
	<u>51.6</u>	<u>233.6</u>	<u>–</u>	<u>285.2</u>
Total assets	<u>3,266.6</u>	<u>3,621.5</u>	<u>–</u>	<u>6,888.1</u>
Liabilities				
Current liabilities				
Trade and other payables	70.8	82.8	–	153.6
Other financial liabilities	–	1.5	–	1.5
Borrowings	40.0	1.7	–	41.7
	<u>110.8</u>	<u>86.0</u>	<u>–</u>	<u>196.8</u>
Non-current liabilities				
Borrowings	926.5	1,241.3	29.6	2,197.4
Lease liabilities	6.8	43.6	–	50.4
Other financial liabilities	–	254.0	–	254.0
Other liabilities	–	0.9	–	0.9
	<u>933.3</u>	<u>1,539.8</u>	<u>29.6</u>	<u>2,502.7</u>
Total liabilities	<u>1,044.1</u>	<u>1,625.8</u>	<u>29.6</u>	<u>2,699.5</u>
Net assets	<u>2,222.5</u>	<u>1,995.7</u>	<u>(29.6)</u>	<u>4,188.6</u>

Notes:

1. The consolidated net assets of the LondonMetric Group at 30 September 2023 have been extracted without material adjustment from the unaudited consolidated interim financial statements of the LondonMetric Group for the six-month period ended 30 September 2023 which are incorporated by reference in this document.

Adjustments:

2. The consolidated net assets of the LXi Group have been extracted without material adjustment from the unaudited consolidated interim financial statements of the LXi Group for the six-month period ended 30 September 2023, which are included in the Appendix of this document.
3. The increase in borrowings comprises the estimated fees and expenses and stamp duty incurred in connection with the Merger of £29.6 million, as disclosed in paragraph 23.4 of Part 14 (Additional Information) of this document.
No changes have been reflected in the pro forma financial information in respect of the £700 million Proposed Facilities Agreement referred to in paragraph 9 of Part 7 (Letter from the Chair of LondonMetric Property Plc) of this document as it is expected that these will be used to repay certain LXi Group facility arrangements. No significant net impact arises on pro forma borrowings as a result of such repayments.
4. No account has been taken in this pro forma financial information of the proposed acquisition by the LondonMetric Group of the LXi Investment Adviser on the basis that no binding purchase commitment has been entered into at the date of this document.
5. No account has been taken of the financial performance of the LondonMetric Group since 30 September 2023, the financial performance of the LXi Group since 30 September 2023, nor of any other event save as disclosed above.

Part B Accountant's report on the Unaudited Pro Forma Financial Information of the Combined Group



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6 February 2024

Dear Sir or Madam

LondonMetric Property Plc (the “Company”)

Pro forma financial information

We report on the unaudited pro forma net assets statement and the unaudited pro forma income statement (together, the “Unaudited Pro Forma Financial Information”) set out in Part A of Part 12 of the combined prospectus and circular dated 6 February 2024 (the “Prospectus”).

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Unaudited Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules and item 11.5 of Annex 3 of the PR Regulation.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the PR Regulation, as to the proper compilation of the Unaudited Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the dates of their issue.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules and item 1.3 of Annex 3 of the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of preparation

The Unaudited Pro Forma Financial Information has been prepared on the basis described, for illustrative purposes only, to provide information about how the Merger might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the unaudited interim financial statements for the six-month period ended 30 September 2023.

This report is required by item 13.3.3R of the Listing Rules and item 11.5 of Annex 3 of the PR Regulation and is given for the purpose of complying with that item and for no other purpose.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council of the United Kingdom. We are independent in accordance with the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and declare that to the best of our knowledge, the information contained in this report is in accordance with the facts and this report makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 3 of the PR Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

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

PART 13
VALUATION REPORTS

Part A: CBRE Valuation Report in respect of LondonMetric

Condensed Valuation Report

In respect of:

Portfolio of 157 properties held by LondonMetric Property Plc

On behalf of:

the Addressees as set out below

Date of valuation:

31 December 2023

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Condensed Valuation Report

Introduction

Report Date	6 February 2024

Valuation Date	31 December 2023

Addressee	LondonMetric Property Plc 1 Curzon Street London W1J 5HB (hereinafter referred to as “LondonMetric” or “the Company”) and Peel Hunt LLP 100 Liverpool Street London EC2M 2AT (in their capacity as sponsor, joint financial adviser and broker to the Company) and Barclays Bank Plc 1 Churchill Place London E14 5HP (in their capacity as lead financial adviser and broker to the Company) and J.P. Morgan Securities Plc 25 Bank Street Canary Wharf London E14 5JP (in their capacity as joint financial adviser and broker to the Company) and LXi REIT plc 8 th Floor, 100 Bishopsgate London EC2N 4AG (hereinafter referred to as “LXi”) and

	Lazard & Co., Limited 50 Stratton Street London W1J 8LL (in their capacity as lead financial adviser to LXi) and Jefferies International Limited 100 Bishopsgate London EC2N 4JL (in their capacity as financial adviser and corporate broker to LXi) (and all the above collectively referred to as “the Addressees”)
The Properties	157 properties held by LondonMetric Property Plc, as set out in the Schedule of Properties below in Appendix A.
Instruction	To value without re-inspecting the unencumbered freehold and leasehold interests (as applicable) of the Properties on the basis of Market Value as at the Valuation Date in accordance with Terms of Engagement entered into between CBRE and the Addressees dated 09 January 2024.
Status of Valuer	You have instructed us to act as an External valuer as defined in the current version of the RICS Valuation – Global Standards. Please note that the Valuation may be investigated by the RICS for the purposes of the administration of the Institution’s conduct and disciplinary regulations in order to ensure compliance with the Valuation Standards.
Purpose and Basis of Valuation	The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation – Global Standards (2022) and the UK national supplement current as at the Valuation Date (the “Red Book”). We understand that this valuation report and the Appendices to it (together the “Valuation Report”) are required for inclusion in a combined class 1 circular and prospectus (the “Prospectus”) to be published by the Company as offeror in connection with their recommended offer for the entire issued and to be issued ordinary share capital of LXi (the “Transaction”), in accordance with the City Code on Takeovers and Mergers (“the Code”), the Financial Conduct Authority’s (“FCA”) Prospectus Regulation Rules and the FCA’s Listing Rules, as a result of which new ordinary shares in the Company will be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange’s Main Market (“Admission”). The Valuation is on the basis of Market Value as defined in the current edition of the RICS Valuation – Global Standards and set out in Valuation Assumptions below. The effective date of our Valuation is 31 December 2023 (the “Valuation Date”). In accordance with the Red Book we have made certain disclosures in connection with this valuation instruction and our relationship with the Addressees.

Market Value of the
Properties as at
31 December 2023 (100%)

£2,391,110,000 (TWO BILLION, THREE HUNDRED AND NINETY ONE MILLION, ONE HUNDRED AND TEN THOUSAND POUNDS) exclusive of VAT, as shown in the Schedule of Capital Values set out below.

For the avoidance of doubt, we have valued the Properties as real estate and the values reported above represent 100 per cent. of the market values of the assets. There are no negative values to report.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

The Properties are split by property type and tenure as follows.

Property Type	Freehold	Long Leasehold	Total
Market Value of Properties held for Investment	£2,360,420,000 (152 Properties)	£30,690,000 (5 Properties)	£2,391,110,000 (157 Properties)

Market Value of the
Properties as at
31 December 2023 (at
share)

The Company has advised us that they have a joint venture share in 13 of the Properties and the total arithmetical apportionment of the value taking into account the relevant ownership share (as advised to us by the Company) on a pro-rata basis is as follows:

£2,324,485,000 (Two Billion, Three Hundred and Twenty Four Million, Four Hundred and Eighty Five Thousand Pounds) exclusive of VAT.

Where a Property is owned through an indirect investment structure or a joint tenancy in a trust for sale, our Valuation represents the relevant apportioned percentage of ownership of the value of the whole Property, assuming full management control. Our Valuation therefore is unlikely to represent the value of the interests in the indirect investment structure through which the property is held.

Report Format

Appendix A of this Valuation Report contains the Schedule of Properties including the most recent inspection dates.

Appendix B provides relevant details of those Properties which have an individual Market Value in excess of 5 per cent. of the total aggregate Market Value of the Portfolio.

Appendix C provides a split of the value of the Properties by use type.

Appendix D provides a split of the value of the Properties by location.

Market Conditions

We draw your attention to a combination of global inflationary pressures (leading to higher interest rates) and recent failures/stress in banking systems which have increased the potential for constrained credit markets, negative capital value movements and enhanced volatility in property markets over the short-to-medium term.

Experience has shown that consumer and investor behaviour can quickly change during periods of such heightened volatility. Lending or investment decisions should reflect this heightened level of volatility and the potential for deteriorating market conditions.

It is important to note that the conclusions set out in this report are valid as at the valuation date only. Where appropriate, we recommend that the valuation is closely monitored, as we continue to track how markets respond to evolving events.

Portfolios and Aggregation	We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.
Building Contracts	Current supply issues associated with some building material shortages are impacting on construction costs and timing. Unexecuted construction / building contracts may be subject to price increases and executed contracts may contain conditions which allow the builder to pass on any increases to the instructing party. We recommend you obtain appropriate advice to confirm there are no adverse conditions within the final construction/building contract and/or ensure there are additional funds available to cover potential cost escalations. Rising building costs and shortages of labour and materials may also affect the builder's viability and/or ability to meet construction timeframes. In this climate, we strongly recommend you verify the experience and financial capability of the builder to complete the project on time and on budget. Caution is advised in this regard. In the absence of any information to the contrary, we have assumed that the construction contract and any warranties will be assignable.
Construction Cost Volatility	Material costs, labour costs and supply chains are unusually volatile with the market experiencing price increases in some, or all of these areas during 2022 and continuing into 2023. This has created significant uncertainty in cost estimates, which is likely to continue. In addition, there are significant risks that delays may be encountered in sourcing materials and labour, and as such, delivery risks are also heightened in this climate. Furthermore, the likelihood of ongoing cost escalations and sourcing delays is high. This may place additional pressure on both the developer's and builder's profit margins and development viability. These inherent risks should therefore be given careful consideration in lending and investment decisions. Caution is advised in this regard.
Compliance with Valuation Standards	The Valuation has been prepared in accordance with the latest version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the “Red Book”) current as the Valuation Date. The valuations are compliant with the International Valuation Standards, the Financial Conduct Authority's (FCA) Listing Rules, the Prospectus Regulation Rules and the FCA's Primary Market Technical Note 619.1 (“TN 619.1”) paragraphs 128 to 130 (inclusive) of Part III.1 (Property companies), the London Stock Exchange requirements and Rule 29 of the Code. The Properties have been valued by a valuer who is qualified for the purpose of the Valuation in accordance with the Red Book. We confirm that we have sufficient local and national knowledge of the particular property market involved and have the skills and understanding to undertake the Valuation competently.

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject Properties. Other valuers may reach different conclusions as to the value of the subject Properties. This Valuation is for the sole purpose of providing the intended user with the valuer's independent professional opinion of the value of the subject Properties as at the Valuation Date.

TN 619.1 III.I 130 (vi)

TN 619.1 III.I 130 (vi) requires us to comment on any differences between the valuation figure in this Valuation Report and the valuation figure included in the Company's latest published annual accounts, which were published as at 31 March 2023. Differences between the published valuation figure as at 31 March 2023 and the present valuation are attributable to a number of factors, including but not limited to:

- Property acquisitions, including the £285 million purchase of CT Property Trust Limited, comprising 33 assets;
- Property disposals, including the sale of 7 properties for £77.4 million;
- New leases or regeared leases on 9 properties, with an area in excess of 460,000 sq ft;
- Rent reviews completed on 4 properties, with rent review dates of between March 2022 and May 2023;
- 313,000 sq ft pre-let distribution & cold store development reached practical completion shortly after 31 March 2023 year end;
- 125,000 sq ft pair of distribution units in Leicester reached practical completion shortly after 31 March 2023 year end;
- 2023 was characterised by reduced transaction volumes in the industrial sector, but with a return to greater stability after some large movement in values at the end of 2022. Prime equivalent yields for industrial properties have remained stable since March 2023 at 5.25 per cent.
- Prime logistics rental levels have increased since March 2023 in the North West, West Midlands and the South East of the UK, with the other regions seeing prime logistics rents remain stable.

Sustainability Considerations

Wherever appropriate, sustainability and environmental matters are an integral part of the valuation approach. 'Sustainability' is taken to mean the consideration of such matters as environment and climate change, health and well-being and corporate responsibility that can or do impact on the valuation of an asset. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management, and fiscal considerations – and current and historic land use.

Sustainability has an impact on the value of an asset, even if not explicitly recognised. Valuers reflect markets, they do not lead them. Where we recognise the value impacts of sustainability, we are reflecting our understanding of how market participants include sustainability requirements in their bids and the impact on market valuations.

Climate Risk Legislation

From June 2019, the Climate Change Act 2008 (2050 Target Amendment) Order 2019 commits the UK Government to reducing greenhouse gas emissions by 100 per cent. from 1990 levels (i.e. a Net Zero position) by 2050. In 2021 an interim target was set, to reduce emissions by 78 per cent. by 2035, by decarbonising electricity generation. This means that fossil fuels used in building, such as natural gas for heating, are incompatible with this commitment. The proposal to update the Minimum Energy Efficiency Standards, to require all non-domestic properties to a minimum EPC rating of B in 2030 has not been ratified and in the absence of any commentary from the current administration, we assume landlords will continue to work towards this target.

We also note that the UK's introduction of mandatory climate related disclosures (reporting climate risks and opportunities consistent with recommendations by the "Task Force for Climate Related Financial Disclosure" (TCFD)), including the assessment of so-called physical and transition climate risks, will potentially have an impact on how the market views such risks and incorporates them into the sale of letting of assets.

The European Union's "Sustainable Finance Disclosure Regulations" (SFDR) may impact on UK asset values due to the requirements in reporting to European investors.

Assumptions

The Properties details on which each Valuation are based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the Valuation is based are subsequently found to be incorrect, the Valuation figures may also be incorrect and should be reconsidered.

Variations and/or Departures from Standard Assumptions

None.

Independence

The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from LondonMetric (or other companies forming part of the same group of companies) is less than 5.0 per cent. of the total UK revenues.

It is not anticipated this situation will vary in the financial year to 31 December 2024.

We confirm that neither the valuers concerned nor CBRE have any personal interest in the Company, LXI, any of the Properties or in the outcome of the valuation.

Previous Involvement and Conflicts of Interest

We confirm that we have valued the Properties on behalf of the Company on a six monthly basis for financial reporting purposes for in excess of 10 years, the most recent valuation being 30 September 2023.

From time to time, CBRE provides agency or professional services to the Company.

We do not consider that this previous involvement represents a conflict of interest and you have confirmed to us that you also consider this to be the case.

We confirm that we are not aware of any conflicts of interest that would prevent us from exercising the required levels of independency and objectivity.

Copies of our conflict of interest checks have been retained within the working papers.

Disclosure

The principal signatory of this report has continuously been the signatory of valuations for the Company since March 2023.

CBRE has continuously been carrying out Valuation instructions for the Company for in excess of 10 years.

CBRE Ltd has carried out Valuation, Agency and Professional services on behalf of the Company for in excess of 10 years.

Responsibility

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge the information contained in this Valuation Report is in accordance with the facts and the Valuation Report makes no omissions likely to affect its import.

This Valuation Report complies with Rule 5.4.5G of the Prospectus Regulation Rules and Paragraphs 128 to 130 of Part III.1 (Property companies) of TN 619.1.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with item 1.2 of Annex 3 and Annex 12 of the UK Version of Commission Delegated Regulation (EU) 2019/980, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

Reliance

Save as set out in “Responsibility” above, the contents of this Report may only be relied upon by:

- i. Addressees of the Report; and
- ii. the parties who have received prior written consent from CBRE in the form of a reliance letter; and
- iii. the shareholders of the Company,

for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Red Book or the incorporation of the special assumptions referred to herein.

Yours faithfully

Yours faithfully

Nick Butler
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Source of Information and Scope of Works

Sources of Information

We have carried out our work based upon information supplied to us by the Company and their professional advisors, as set out within this report, which we have assumed to be correct and comprehensive, including.

- Tenancy Schedule named CBRE Nov Prop Data and received on 24/11/2023 at 1141.
- For new acquisition, we generally receive due diligence reports, including measured surveys, technical and environmental reports.

The Properties

Our report contains a brief summary of the Property details on which our Valuation has been based.

The Company has expressly instructed us not to disclose certain information which is considered commercially sensitive, namely the individual values of the Properties.

Inspection

As part of our valuation instruction from the Company for financial reporting purposes, the majority of the Properties have been subject to internal inspections on a three year rolling basis. As instructed, we have not re-inspected all the Properties for the purpose of this valuation.

With regard to those Properties which have not been subject to re-inspection, the Company has confirmed that they are not aware of any material changes to the physical attributes of the properties, or the nature of their location, since the last inspection. We have assumed this advice to be correct.

Where properties have not been reinspected, the valuer will not carry out the usual range of enquiries performed during a full inspection of these properties and will make the appropriate assumptions based on the information provided or available that, without a full inspection, cannot be verified. The instructing parties acknowledge and accept the heightened and inherent uncertainty and risks relying upon a valuation prepared on a desktop basis.

Areas

We have not measured the Properties but have relied upon the floor areas provided to us by you or your professional advisors, which we have assumed to be correct and comprehensive, and which you have advised us have been calculated using the: Gross Internal Area (GIA), Net Internal Area (NIA) or International Property Measurement Standard (IPMS) 3 – Office, measurement methodology as set out in the latest edition of the RICS Property Measurement Standards.

Environmental Considerations

We have not been instructed to make any investigations in relation to the presence or potential presence of contamination in land or buildings or the potential presence of other environmental risk factors and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value.

We have not carried out investigation into past uses, either of the property or of any adjacent lands, to establish whether there is any potential for contamination from such uses or sites, or other environmental risk factors and have therefore assumed that none exists.

Sustainability Considerations

In carrying out this valuation, we have considered the impact of sustainability factors on the value of the property. Based on our inspections and our review of the information that was available to us, we have not identified any risk

factors which, in our opinion, would affect value. However, CBRE gives no warranty as to the absence of such risk factors in relation to sustainability.

Services and Amenities	We understand that the Properties are located in an area served by mains gas, electricity, water and drainage. None of the services have been tested by us. Enquiries regarding the availability of utilities/services to the development schemes are outside the scope of our report.
Repair and Condition	We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.
Town Planning	We have not undertaken planning enquiries.
Titles, Tenures and Lettings	Details of title/tenure under which the Properties are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser. We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

Valuation Assumptions

Introduction

An Assumption is defined in the Red Book Glossary and VPS 4 to be a “supposition taken to be true” (an “Assumption”).

Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.

The Company has confirmed and we confirm that our Assumptions are correct as far as the Company and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.

For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.

Capital Values

The Valuation has been prepared on the basis of “Market Value”, which is defined in the Red Book as:

“The estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

The Valuation represents the figure that would appear in a hypothetical contract of sale at the Valuation Date. No adjustment has been made to this figure for any expenses of acquisition or realisation - nor for taxation which might arise in the event of a disposal.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

Taxation, Costs and Realisation Costs

As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.

Our valuations reflect purchasers’ statutory and other normal acquisition costs.

VAT

We have not been advised whether the properties are elected for VAT.

All rents and capital values stated in this report are exclusive of VAT.

Net Annual Rent

Net annual rent is defined for the purposes of this transaction as “the current income or income estimated by the valuer:

- (i) ignoring any special receipts or deduction arising from the property;
- (ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent”.

Estimated Net Annual Rental Value	The estimated net annual rental value is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.
Rental Values	Unless stated otherwise rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent in the Red Book, which is as follows: “The estimated amount for which an interest in real property should be leased on the Valuation Date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”
Fixtures, Fittings and Equipment	Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building. Landlord’s fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our Valuations. Process plant and machinery, tenants’ fixtures and specialist trade fittings have been excluded from our Valuations. All measurements, areas and ages quoted in our report are approximate.
Environmental Matters	In the absence of any information to the contrary, we have assumed that: (a) the Property/Properties is/are not contaminated and is not adversely affected by any existing or proposed environmental law; (b) any processes which are carried out on the Property/Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities; (c) in England and Wales, the Property/Properties possesses current Energy Performance Certificates (EPCs) as required under the Government’s Energy Performance of Buildings Directive – and that they have an energy efficient standard of ‘E’, or better. Under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 it became unlawful for landlords to rent out business or residential premise from 1st April 2018 – unless the site has reached a minimum EPC rating of an ‘E’, or secured a relevant exemption. In Scotland, we have assumed that the Property/Properties possesses current EPCs as required under the Scottish Government’s Energy Performance of Buildings (Scotland) Regulations – and that they meet energy standards equivalent to those introduced by the 2002 building regulations. The Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016 requires building owners to commission an EPC and Action Plan for sale or new rental of non-domestic buildings bigger than 1,000 sq m that do not meet 2002 building regulations energy standards. Action Plans contain building improvement measures that must be implemented within 3.5 years, subject to certain exemptions;

- (d) In January 2021 the Government set out proposals in England and Wales for 'improving the energy performance of privately rented homes'. The key tenets of the proposals are to; reduce emissions; tackle fuel poverty; improve asset quality; reduce energy bills; enhance energy security; and support associated employment. The proposals were wide ranging and included new demands on residential landlords through Energy Performance Certificates ('EPCs').

Existing PRS Regulations set a minimum standard of EPC Band E for residential units to be lettable. The Government proposals see this threshold being raised to EPC Band C for all new tenancies created from 01 April 2025 and for all existing tenancies by 01 April 2028.

The principle for relevant building works is to be 'fabric first' meaning maximisation of components and materials that make up the building fabric to enhance, for example, insulation, ventilation and air-tightness. The proposals also cite; compliance measures and penalties for landlords, letting agents and local authorities; and affordability support for carrying out necessary works. The implication was (as with the existing EPC Band E requirement) that private rented units may effectively be rendered unlettable if they failed to meet or exceed the minimum EPC requirement.

On 20 September 2023 the Prime Minister announced revisions to the PRS Regulations such that residential landlords will not be fined if they do not meet these requirements. It was not specified if this denotes a delay to the effective dates or the removal of the penalty.

In addition the Prime Minister announced that Boiler Upgrade Scheme subsidies will be increased from £5,000 to £7,500, and the timeframe for removal of gas fired boilers delayed until 2035.

The change in policy is more towards incentivising change as opposed to enforcement. The UK's Net Zero 2050 pledge is still being upheld although future revisions are not out of the question, particularly in the event of a potential change in Government. It is likely that institutional landlords in particular will continue to target energy efficiency given policy change uncertainty and the ever increasing focus on ESG; we therefore expect EPC ratings to continue to be a focus for residential investors and occupiers in the UK;

- (e) the Properties are either not subject to flooding risk or, if it is, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value; and
- (f) invasive species such as Japanese Knotweed are not present on the Properties.

High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the Properties. Our Valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties; the Properties are free from rot, infestation, structural or latent defect;

no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, ACM Cladding, High Alumina Cement (HAC), Asbestos, Reinforced Autoclaved Aerated Concrete (Raac), have been used in the construction of, or subsequent alterations or additions to, the Properties; and

the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Lettings, Planning, Taxation and Statutory & Local Authority Requirements

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possesses a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) the building has been erected either prior to planning control, or in accordance with planning permissions, and has the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties is not adversely affected by town planning or road proposals;
- (d) the building complies with all statutory and local authority requirements including building, fire and health and safety regulations, and that a fire risk assessment and emergency plan are in place;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of the Properties to comply with the provisions of the Disability Discrimination Act 1995 (in Northern Ireland) or the Equality Act 2010 (in the rest of the UK);
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (j) where more than 50 per cent. of the floorspace of the Properties is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the Properties. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted;
- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required;
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy; and
- (m) Land Transfer Tax (or the local equivalent) will apply at the rate currently applicable. In the UK, Stamp Duty Land Tax (SDLT) in England and Northern Ireland, Land and Buildings Transaction Tax (LBTT) in Scotland or Land Transaction Tax (LTT) in Wales, will apply at the rate currently applicable

Appendices

Appendix A: Schedule of Properties as at 31 December 2023

Address	Tenure	Ownership Purpose	Inspection Date
Pai Skincare, Acton, ACTON	Freehold	Investment	11/04/2022
Ford Retail, ALPERTON	Freehold	Investment	10/05/2022
Vitec, Flagstaff 42, ASHBY-DE-LA-ZOUCH	Freehold	Investment	27/05/2022
Blue Chyp, Ashford 34, ASHFORD	Freehold	Investment	21/09/2022
Allegion, Unit 1 Golden Cross, ASTON	Freehold	Investment	03/01/2024
City Plumbing, Vantage 1, ASTON	Freehold	Investment	19/07/2021
CHEP Unit, AVONMOUTH	Freehold	Investment	10/09/2021
DSV Unit, AVONMOUTH	Freehold	Investment	10/09/2021
3663 Unit, Chalker Way, BANBURY	Freehold	Investment	19/12/2023
Burnt Mills Industrial Estate, BASILDON	Freehold	Investment	13/08/2021
Unit 2 Juniper West, BASILDON	Freehold	Investment	21/02/2022
Unit 3 Juniper West, BASILDON	Freehold	Investment	21/01/2022
Bunzl, Unit K60, BASINGSTOKE	Freehold	Investment	02/01/2024
Argos, BEDFORD	Freehold	Investment	21/09/2021
Bedford Link - Phase 1, BEDFORD	Freehold	Investment	03/03/2023
Bedford Link - Phase 2 Unit 1, BEDFORD	Freehold	Investment	03/03/2023
Bedford Link - Phase 3 Unit 3, BEDFORD	Freehold	Investment	03/03/2023
Unit 1 Bicester Distribution Park, BICESTER	Freehold	Investment	23/02/2023
Unit B, Bicester Park, BICESTER	Freehold	Investment	25/05/2023
John Wiley, BOGNOR REGIS	Freehold	Investment	25/01/2023
1-2 Network, BRACKNELL	Freehold	Investment	02/01/2024
Antolin, Barton Business Park, BURTON-ON-TRENT	Freehold	Investment	02/08/2021
Fentiman Way, 130 Thamesview Business Park, CANVEY ISLAND	Freehold	Investment	23/09/2022
Global Life Sciences, Longwood Drive, CARDIFF	Freehold	Investment	21/09/2021
Land at Fforest Farm Industrial Estate (2.46 acres), CARDIFF	Freehold	Investment	21/09/2021

Address	Tenure	Ownership Purpose	Inspection Date
Ceva Logistics, CASTLE DONINGTON	Freehold	Investment	27/05/2022
Cleeve Business Park, CHELTENHAM	Freehold	Investment	05/05/2022
Units 1-11, Coleshill Trade Park, COLESHILL	Freehold	Investment	24/08/2021
Units 1-6, Roman Park, COLESHILL	Freehold	Investment	24/08/2021
Development Site, 8 Prince George's Road, COLLIERS WOOD	Freehold	Investment	11/05/2023
Fulham Timber Merchants, COLLIERS WOOD	Freehold	Investment	17/09/2021
Heathrow Truck Centre, COLNBROOK	Freehold	Investment	20/12/2023
Units 1-8, Lakeside Industrial Estate, COLNBROOK	Freehold	Investment	20/12/2023
Units 1 & 2, Middlemarch, COVENTRY	Freehold	Investment	24/08/2021
Jewson Cranleigh (The Common), CRANLEIGH	Freehold	Investment	29/09/2022
Barker & Stonehouse, CRAWLEY	Freehold	Investment	06/08/2021
Fed Ex, CRAWLEY	Freehold	Investment	13/02/2023
Space Gatwick, CRAWLEY	Freehold	Investment	13/02/2023
Units 1-6 Crompton Fields, CRAWLEY	Freehold	Investment	13/02/2023
XPO Transport Solutions Unit, CRICK	Freehold	Investment	13/05/2022
3B Princess Way, CROYDON	Freehold	Investment	04/10/2021
Tesco, CROYDON	Freehold	Investment	04/10/2021
Goresbrook Park, DAGENHAM	Freehold	Investment	20/08/2021
Unit C3, DARTFORD	Freehold	Investment	12/07/2022
Next RSC, DONCASTER	Freehold	Investment	04/01/2024
Plot D, DONCASTER	Freehold	Investment	18/08/2022
Amazon Car Park, Droitwich, DROITWICH	Freehold	Investment	10/05/2023
Berry 185 Land, Droitwich, DROITWICH	Freehold	Investment	10/05/2023
Units 1-5, Yorks Park, DUDLEY	Freehold	Investment	17/08/2021
65-77 Malham Road, DULWICH	Freehold	Investment	19/01/2023
Deralam Laminates, 10/10a Foster Avenue, DUNSTABLE	Freehold	Investment	26/04/2021
Mega Marble, DUNSTABLE	Freehold	Investment	20/05/2022

Address	Tenure	Ownership Purpose	Inspection Date
Airways 1 & 2, EASTLEIGH	Freehold	Investment	18/12/2023
Unit H & Plot 2, EASTLEIGH	Freehold	Investment	18/12/2023
Cambridge Commodities Ltd, ELY	Freehold	Investment	05/05/2022
Royal Mail, EPSOM	Freehold	Investment	24/09/2021
Jewson Builders Merchants, EXETER	Freehold	Investment	28/09/2021
Specialist Computer Centres, FAREHAM	Long Leasehold	Investment	16/05/2022
Iveco, Hawley Lane, FARNBOROUGH	Freehold	Investment	18/05/2022
Plot A, FRIMLEY	Freehold	Investment	13/10/2021
8-10 Heathmans Road, FULHAM	Freehold	Investment	11/05/2023
Croda, GOOLE	Freehold	Investment	18/08/2022
Unit 1, GREENFORD	Freehold	Investment	14/09/2022
Mzuri, Henley Business Park, GUILDFORD	Freehold	Investment	22/09/2022
16 Andre Street (Hackney), HACKNEY	Freehold	Investment	21/09/2022
Jacuna, Hackney Oval, HACKNEY	Freehold	Investment	21/09/2022
SkateHut, Amber Way, HALESOWEN	Freehold	Investment	17/08/2021
Vee Bee, Coombeswood, HALESOWEN	Freehold	Investment	17/08/2021
4 Marples Way, HAVANT	Long Leasehold	Investment	18/01/2023
Boundary Point, HEMEL HEMPSTEAD	Freehold	Investment	20/05/2022
Units A & B, Hemel Gateway, HEMEL HEMPSTEAD	Freehold	Investment	29/12/2023
Jacuna, North Circular, HENDON	Freehold	Investment	17/05/2022
Orange, Lampton House, HOUNSLOW	Freehold	Investment	31/03/2022
AM Fresh, APS 2, Alconbury Weald, HUNTINGDON	Freehold	Investment	03/03/2023
2 Anglia Parkway North, IPSWICH	Freehold	Investment	22/05/2023
FDS Corporation, Port One Logistics Park, IPSWICH	Freehold	Investment	22/05/2023
Irlam 136, IRLAM	Freehold	Investment	04/05/2022

Address	Tenure	Ownership Purpose	Inspection Date
Unit 3, Kingley Park, KINGS LANGLEY	Freehold	Investment	10/02/2023
Units 1-7, Tachbrook Link, LEAMINGTON SPA	Freehold	Investment	24/08/2021
Ecco Safety Group (ESG), LEEDS	Freehold	Investment	18/08/2022
Flender Limited, LEEDS	Freehold	Investment	25/10/2021
Ross Care, Lockside Road, LEEDS	Freehold	Investment	04/01/2024
Crosslink 646, LEICESTER	Freehold	Investment	29/03/2023
Unit F, Meridian Business Park, LEICESTER	Freehold	Investment	26/08/2021
Luton Enterprise Park, LUTON	Freehold	Investment	01/03/2023
Bircholt Road, MAIDSTONE	Freehold	Investment	06/05/2022
Crown House & Site E, MILTON KEYNES	Freehold	Investment	03/01/2024
Mechline, MILTON KEYNES	Freehold	Investment	21/09/2021
Oxfam, Milton Point, MILTON KEYNES	Freehold	Investment	21/09/2021
Royal Mail, MILTON KEYNES	Freehold	Investment	01/03/2023
Royal Mail, MILTON KEYNES	Freehold	Investment	09/05/2022
SpeedyHire, MILTON KEYNES	Freehold	Investment	21/09/2021
TalkTalk, Linford Wood, MILTON KEYNES	Freehold	Investment	01/03/2023
Units 1-2, Star Gate, NECHELLS	Freehold	Investment	19/07/2021
Feilo Sylvania, Newhaven, NEWHAVEN	Freehold	Investment	22/09/2022
Norbury TE - Jacuna, NORBURY	Long Leasehold	Investment	17/09/2021
My First Years, Unit 5 Grange Park, NORTHAMPTON	Freehold	Investment	02/08/2021
Teknomek, NORWICH	Freehold	Investment	10/02/2023
Eriks, Unit 1, Xpanse 120, OLDBURY	Freehold	Investment	22/12/2023
Clipper Logistics, OLLERTON	Freehold	Investment	21/09/2021
Double 4 Limited, PARK ROYAL	Long Leasehold	Investment	10/05/2022
Unit 8, Nexus Point, PERRY BARR	Freehold	Investment	19/07/2021
Pinnacle Distribution Centre, PETERBOROUGH	Freehold	Investment	03/03/2023
Sainsbury's, Amethyst Court, PRESTON	Freehold	Investment	28/09/2023

Address	Tenure	Ownership Purpose	Inspection Date
Heartbeat Distribution, Velocity 42, REDDITCH	Freehold	Investment	22/07/2021
Unit B, RUGBY	Freehold	Investment	13/05/2022
SIRFT, SHEFFIELD	Freehold	Investment	18/08/2022
2-72 Telford Drive Ground Rent, ST HELENS	Freehold	Investment	19/08/2022
DSG, Bessemer Drive, STEVENAGE	Freehold	Investment	03/03/2023
Fujitsu Data Centre, STEVENAGE	Freehold	Investment	29/05//2023
205 Clapham Road, STOCKWELL	Freehold	Investment	12/04/2022
Campbell Road, STOKE ON TRENT	Freehold	Investment	04/05/2022
28 Maryland Road, STRATFORD	Freehold	Investment	18/05/2023
Oak FurnitureLand, SWINDON	Freehold	Investment	15/03/2022
Multi Packaging, Shannon Way, TEWKESBURY	Freehold	Investment	21/07/2021
35.5 Cobalt, THAMESMEAD	Freehold	Investment	22/09/2022
HSBC, Thamesmead, THAMESMEAD	Freehold	Investment	22/09/2022
Bunzl, Maxi Centre, THEALE	Freehold	Investment	02/01/2024
Units A & B, THEALE	Freehold	Investment	17/01/2023
T2 Primark NDC, THRAPSTON	Freehold	Investment	09/05/2022
Sabre House, TOTTENHAM	Freehold	Investment	11/05/2022
Air Link Systems, Neo Park, TYSELEY	Freehold	Investment	10/08/2021
Amazon - Unit 3, Mucklow Park (Phase 3&4), TYSELEY	Freehold	Investment	03/08/2021
Decora, Mucklow Business Park (Phase 1), TYSELEY	Freehold	Investment	03/08/2021
Hollywood Monster, Redfern, TYSELEY	Freehold	Investment	03/08/2021
Plot 5, Mucklow Park (Land), TYSELEY	Freehold	Investment	03/08/2021
Royal Mail, Redfern, TYSELEY	Freehold	Investment	03/08/2021
Units A-G, Mucklow Park (Phase 2), TYSELEY	Freehold	Investment	03/08/2021
Nyetimber, Unit 4 Ashdown Business Park, UCKFIELD	Freehold	Investment	13/12/2023
Reynolds NDC, WALTHAM CROSS	Freehold	Investment	03/03/2023

Address	Tenure	Ownership Purpose	Inspection Date
Ocado Car Park, WALTHAMSTOW	Long Leasehold	Investment	18/12/2023
Ocado, WALTHAMSTOW	Freehold	Investment	18/12/2023
Amazon Plot 7C, WARRINGTON	Freehold	Investment	19/08/2022
Bonfiglioli, Unit 1, WARRINGTON	Freehold	Investment	19/08/2022
Gemini Business Park, WARRINGTON	Freehold	Investment	19/08/2022
The HUT Group, Skyline Drive, WARRINGTON	Freehold	Investment	19/08/2022
Topgrade, Unit 2, WARRINGTON	Freehold	Investment	19/08/2022
Units 1-6, Wednesbury One, WEDNESBURY	Freehold	Investment	17/08/2021
Tesla Motors, WEYBRIDGE	Freehold	Investment	13/10/2021
Phase 2, i54, WOLVERHAMPTON	Freehold	Investment	13/08/2021
Tentec, i54, WOLVERHAMPTON	Freehold	Investment	13/08/2021
Bosch, Apex Park II, WORCESTER	Freehold	Investment	21/07/2021
Yamazaki, Knightsbridge Park, WORCESTER	Freehold	Investment	21/07/2021
Bowers & Wilcox, Dale Road, WORTHING	Freehold	Investment	27/09/2021
The Range, ALDERSHOT	Freehold	Investment	17/05/2023
Dartford Heath Retail Park, DARTFORD	Freehold	Investment	13/10/2023
Wickes, DARTFORD	Freehold	Investment	03/12/2021
Lottbridge Drove Retail Park, EASTBOURNE	Freehold	Investment	19/11/2021
Wickes & Dunelm, HEMEL HEMPSTEAD	Freehold	Investment	15/05/2023
Madford Retail Park, HERTFORD	Freehold	Investment	15/05/2023
DFS, INVERNESS	Freehold	Investment	24/02/2022
Bubble Retail Park, LISKEARD	Freehold	Investment	11/02/2022
Wickes, NEWMARKET	Freehold	Investment	16/05/2023
Lidl + Carpetright, ORPINGTON	Freehold	Investment	05/04/2022
Totton Retail Park, SOUTHAMPTON	Freehold	Investment	17/05/2023
Fleming Way Retail Park, SWINDON	Freehold	Investment	08/09/2021
Forge Island Retail Park, TELFORD	Freehold	Investment	23/05/2023

Appendix B: Schedule of Properties as at 31 December 2023 with a Value in Excess of 5% of the Portfolio Value

Address	Description and Tenure	Tenancies	Market Value
T2 Primark NDC,A14 Junction 12, THRAPSTON	Modern logistics building completed in 2015 totalling approximately 1 million sq ft. Freehold	Let to Primark Stores Limited until 10/09/2040 with annual fixed rental increases. The details of the rent are confidential between the landlord and the tenant.	£119,750,000

Appendix C: Market Value of the Properties as at 31 December 2023 split by property type (100%)

Property Type	Market Value
Distribution	£2,075,165,000
Multi-Let Industrial	£133,425,000
Land*	£6,925,000
Retail Warehousing	£133,250,000
Data Centres	£42,345,000
Portfolio Total	£2,391,110,000

* The land is not valued on a development basis.

Appendix D: Market Value of the Properties as at 31 December 2023 split by property location (100%)

Property Location	Market Value
London & South East	£1,393,780,000
Midlands	£532,235,000
North East including Yorkshire	£116,225,000
North West	£217,100,000
South West	£113,295,000
Other	£18,475,000
Portfolio Total	£2,391,110,000

Part B: Savills Valuation Report in respect of LondonMetric

Project Sergio

Report and Valuation

6 February 2024

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1. Valuation Report

1.1. Addressees

LondonMetric Property Plc
1 Curzon Street
London
W1J 5HB
(hereinafter referred to as the “Company”)

Peel Hunt LLP
(in its capacity as sponsor, joint financial adviser and broker to the Company)
100 Liverpool Street
London
EC2M 2AT

Barclays Bank PLC, acting through its Investment Bank
(in its capacity as lead financial adviser and broker to the Company)
1 Churchill Place
London
E14 5HP

J.P. Morgan Securities plc
(in its capacity as joint financial adviser and broker to the Company)
25 Bank Street
Canary Wharf
London
E14 5JP

LXi REIT plc
8th Floor, 100 Bishopsgate
London
EC2N 4AG
(hereinafter referred to as “LXi”)

Lazard & Co., Limited
(in its capacity as lead financial adviser to LXi)
50 Stratton Street
London
W1J 8LL

Jefferies International Limited
(in its capacity as financial adviser and corporate broker to LXi)
100 Bishopsgate
London
EC2N 4JL

(and all the above collectively referred to as “the Addressees”)

1.2. Project Name

Project Sergio

1.3. Instructions and Purpose of Valuation

In accordance with our instructions received from the Company and our terms of engagement dated 9 January 2024 with the Company, Peel Hunt LLP, Barclays Bank PLC, J.P. Morgan Securities plc, LXi, Lazard & Co. Limited and Jefferies International Limited, we have undertaken valuations (the “Valuations”) of the freehold and leasehold interests in the properties described in Schedule 2 (the “Properties” and each being a “Property”) (together, the “Portfolio”). The Company has expressly

instructed us not to disclose certain information which is considered commercially sensitive, namely the individual values of the properties.

This report (the “Report”) has been prepared in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2022 together with the UK National Supplement effective 14 January 2019, together the “Red Book”. The Valuation has been prepared for a Regulated Purpose as defined by the Red Book. The Report has been prepared in accordance with the requirements of Rule 29 of the City Code on Takeovers and Mergers (the “Code”) and the Financial Conduct Authority’s (“FCA”) Prospectus Regulation Rules and the FCA’s Listing Rules. We understand that this Report is required for inclusion in (i) a firm offer announcement to be issued by the Company pursuant to Rule 2.7 of the Code (the “Announcement”) in connection with a recommended offer by the Company for the entire issued ordinary share capital of LXI (the “Transaction”) (ii) a scheme document to be published by LXI in connection with the Transaction and (iii) a combined prospectus and circular to be issued by the Company in connection with the Transaction (the “**Combined Prospectus and Circular**”) and to the Report being put on public display on the websites of the Company and/or LXI dated, in each case, the date of the relevant document in which it appears.

1.4. Terms of Reference

The Portfolio comprises 134 Properties, 12 of which are held on a leasehold basis, one is held on a part freehold / part leasehold basis, whilst the remainder are held on a freehold / heritable basis. The Properties are all held for investment purposes and are located throughout the UK. All the Properties are identified on the attached schedule at **Section 2** of this Report as are the dates on which the Properties were inspected.

The Company has provided us with floor areas for the Properties, which we understand were calculated in accordance with the current RICS Property Measurement standard and upon which we have relied. We have not remeasured the office properties in the portfolio in accordance with International Property Measurement Standard (IPMS) 3 – Offices and therefore our Valuations are based on Net Internal Areas as defined in the RICS Property Measurement. We have been provided with legal documents for the Properties and tenancy schedules provided by the Company. In addition to this, we have received updates from the Company’s specialist advisors. We confirm that we have considered sustainability features relevant to the Properties and the implications these could have on our Valuations.

1.5. Conflicts of Interest

In accordance with the RICS professional statement on Conflicts of Interest (1st Edition, March 2017), we are not aware of any conflict of interest preventing us from providing you with an independent valuation of the Properties in accordance with the Red Book. We confirm that we undertake valuations of the Properties on behalf of the Company for accounts purposes on a bi-annual basis, the last of which was as at 30 September 2023. We confirm we are acting as an “external valuer” as defined in the Red Book.

1.6. Date of Valuation and Changes to Value since the Valuation Date

Our opinions of value are as at 31 December 2023 (the “Valuation Date”). The importance of the Valuation Date must be stressed as property values can change over a relatively short period.

We confirm that we are not aware of any other material changes in any matter relating to the Properties since the Valuation Date, having made due and careful enquiries of the Company, which have occurred and which would materially affect our Valuations reported on the Valuation Date compared to the date of this Report. Nor do we believe that market conditions have changed sufficiently to materially alter the Valuations reported as at the Valuation Date. As a result, we confirm that an updated valuation as at the date of this Valuation Report would not be materially different from the Valuations as at the Valuation Date.

1.7. Valuer Details

These Valuations have been prepared by a number of valuers under the supervision of Ollie King MRICS and Claire Magowan MRICS, both of whom are RICS Registered Valuers. We confirm that they have sufficient current knowledge of the relevant markets and the necessary skills and understanding to undertake the Valuations competently in accordance with Rule 29 of the Code.

We are required by RICS regulations to disclose the following:

- Ollie King MRICS and Claire Magowan MRICS commenced supervision of the Valuation of this Portfolio in September 2021, when Savills (UK) Limited was instructed to provide bi-annual valuations; and
- in the financial year ending 31 December 2022, the total fees earned from the Addressees, and connected parties, was less than 5 per cent. of Savills (UK) Limited's turnover.

We confirm that we do not have any material interest in the Company, LXi or the Properties.

1.8. Basis of Valuation

Our Valuations have been prepared on the basis of Market Value, the definition of which is as follows:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Our Valuations have been arrived at predominantly by reference to market evidence for comparable property. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property, nor have we allowed for any adjustment to any of the properties' income streams to take into account any tax liabilities that may arise. Our Valuations are exclusive of VAT (if applicable). We have excluded from our Valuations any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupiers.

No allowance has been made for rights, obligations or liabilities arising in relation to fixed plant and machinery, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant EEC legislation, insofar that the latter is applicable.

We have made no variation from standard assumptions.

The valuations are compliant with Rule 29 of the Code, the FCA's Prospectus Regulation Rules and Listing Rules and this report is prepared in accordance with Rule 29, the FCA's Prospectus Regulation Rules (including paragraph 128 to 130 of the FCA's Primary Market/TN/619.1 "Guidelines on disclosure requirements under the Prospectus Regulation and Guidance on specialist issuers" (the "**FCA Technical Note**") and Listing Rules.

This valuation report is also compliant with paragraphs 128 to 130 of the FCA Technical Note.

1.9. Market Conditions - Commercial Properties

The UK economy continues to maintain a watch over inflationary pressures amid sluggish economic growth with the possibility that the economy is already in recession. In the first half of 2023, the UK witnessed a modest expansion, leading the IMF to upgrade their forecasts and dismiss the possibility of a recession in 2023. To combat inflation, the Bank of England has been consistently raising interest rates, reaching a high of 5.25 per cent. in August 2023. Whilst further increases cannot be ruled out, the prospect of interest rate hikes in the short term appear to be subsiding as inflation has gradually reduced over the course of 2023, albeit remains well above the Government and Bank of England target. As a result, borrowing costs have increased, surpassing prime real estate yields.

The commercial real estate market felt the impact of these developments and experienced a sharp correction in prices. Many sales have been withdrawn as vendors' price expectations were not met, while buyers have adopted an opportunistic pricing approach. Real estate lenders are exercising caution when it comes to financing new lending opportunities, except for the most exceptional assets and sponsors. In the meantime, in several commercial real estate sectors there is a positive occupational market which has offered encouragement to investors in seeking out properties with good underlying fundamentals and where there is the opportunity to deliver attractive returns in the medium to longer term.

Consequently, transactional volumes and liquidity have significantly declined, leading to a scarcity of comparable evidence to inform the valuation process. Market sentiment has gained increased importance in making informed assessments, given the limited availability of data. Notably, a divided market is emerging, differentiating "best in class" properties from those facing challenges due to locational factors and the overall quality of the real estate. Stakeholders in the market, including occupiers, investors, and lenders, are attaching heightened significance to environmental, social, and governance (ESG) considerations and the associated costs, in their decision making.

While there is still liquidity in the market, ongoing geopolitical uncertainties, economic challenges, and the cost and accessibility of debt finance are expected to further impact pricing. As a result, the potential for future value erosion cannot be discounted, particularly for properties outside prime markets where more significant declines can be anticipated as real estate markets and values continue to recalibrate to

elevated levels in the of cost of capital, subdued transaction volumes and a cautious lending environment.

It is therefore important to recognise that our valuation has been prepared against the backdrop outlined above. Moreover, investor behaviour can change quickly during such periods of heightened volatility. As such, the conclusions set out in this report are only valid at the valuation date and we would recommend that the value of the properties are kept under regular review. For the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined in the RICS Valuation – Global Standards. The exception to this is the valuation of the property in Highbury (see 1.10 below).

1.10. Material Uncertainty Clause – Residential Ground Rents

The King's Speech on 8 November 2023 referenced reform in the residential ground lease markets. On 9 November 2023, the Department for Levelling Up, Housing & Communities (DLUHC) published a consultation paper 'Modern leasehold: restricting ground rent for existing leases' which details an intention to cap these rents, potentially at a peppercorn, with immediate effect and with no compensation to freeholders.

The options put forward in the Government consultation are a challenge to the valuation and the worst case scenario is that ground rents are reduced to a peppercorn retrospectively.

This means that less certainty, and a higher degree of caution, should be attached to valuations of residential ground rents than would normally be the case. The subject portfolio includes a ground rent investment in Highbury in London. Given the unknown impact of the ground rent consultation on the ground rent investment market it is recommended that you keep the valuation of this element of the portfolio under frequent review.

1.11. Market Value

We are of the opinion that the aggregate Market Value of the Properties in the Portfolio, as at 31 December 2023, is:

	Value	Number of Properties
Freehold / Heritable	£739,110,000	121
Part Freehold / Part Leasehold	£8,200,000	1
Leasehold	£66,000,000	12
TOTAL	£813,310,000	134

The total valuation figure reported is the aggregate total of the individual Properties and not necessarily a figure that could be achieved if the Portfolio was sold as a single holding. A schedule of properties and their inspection dates is attached at Section 2 of this Report. Our Valuations include standard purchaser's costs but do not include costs of realisation.

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The Market Value of the Properties split by property type (based on the Company's categorisations) is as follows:

Retail and Retail Warehouse	£344,085,000
Trade	£108,600,000
Supermarket	£138,650,000
Leisure	£62,625,000
Automotive	£94,200,000
Industrial	£12,700,000
Offices	£38,750,000
Other	£12,950,000
Residential	£750,000

We set out below those Properties as at 31 December 2023 with a value in excess of 5 per cent. of the aggregate Market Value of the Properties in the Portfolio:

Property	Description and Tenure	Tenancies	Market Value
Cantium Retail Park, Old Kent Road, London	A three unit retail park totalling 68,125 sq ft. Planning permission also exists for a 1,100 unit residential scheme on the site. Freehold.	The majority of the property (70 per cent. by floor area) is let to B&Q Limited on a lease expiring in 2037. The other two units are let to Pets at Home Limited (lease expiring in December 2037) and Tapi Carpets and Floors Limited (lease expiring in December 2033, subject to a tenant break option in December 2028). The details of the rents payable are confidential between the landlord and the tenants.	£43,900,000

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Additionally, we comment below regarding the development property held in the Portfolio:

Property	Description, Development Status and Tenure	Valuation assumptions	Market Value
Phase 3, Land east of Mercery Road, Weymouth	The site forms part of a 12 acre site adjacent to a new four unit retail park which has recently been developed and known as Phase 2. The subject site is known as Phase 3 and has been earmarked as a site for a potential 40,000 sq ft retail unit or supermarket with electric vehicle charging points in the car park. Negotiations are progressing with M&S as a potential pre-let for the property on the basis of a term of 15 years at a rent of £883,750 per annum. The site does not benefit from detailed planning consent although a planning application has been submitted. Furthermore originally (prior to the development of Phase 2) formed part of the planning consent granted under reference WP/19/00778/FUL in September 2021 for the erection of a retail development comprising five units with associated car parking. Freehold	Market Value on the assumption that the development has been completed (i.e. vacant at completion date): £13,000,000 Market Value on the assumption that the development has been completed and let (rent frees expired): £15,400,000 Estimated total costs to complete (including carrying charges and finance but excluding profit amount): £9,590,000 Assumed timings: 6 months planning / pre construction period 14 months construction period 6 months marketing void	£2,150,000

1.12. FCA Technical Note paragraph 130 (vi)

The FCA Technical Note 130 (vi) requires us to comment on any differences between the valuation figure in this Report and the valuation figure included in the Company's latest published annual accounts, which were as at 31 March 2023.

Differences between the published valuation figure as at 31 March 2023 and the present valuation are attributable to a number of factors, including but not limited to:

- The sale of a number of properties;
- Deterioration in market conditions leading to outward yield movement in a number of properties in the retail warehousing, supermarket, automotive and office sectors;
- Asset management initiatives involving new leases and installation of electric vehicle charging points which are subject to third party leases, which has led to increases in value;
- Market rental improvements at the Virgin Media units at New Malden and Hayes as well as at the property in Orpington;
- Surrender of a lease at the property in Birstall, although the fund received a surrender premium from the outgoing tenant;
- Completion of the retail warehouse development at Uckfield and therefore capital expenditure incurred;
- The grant of planning permission for a supermarket at the property in New Malden.

1.13. Responsibility

For the purposes of the Prospectus Regulation Rule 5.3.2R(2)(f) and the Code, we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge the information contained in this Valuation Report is in accordance with the facts and this Valuation Report makes no omission likely to affect its import. This Valuation Report complies with Rule 29 of the Code, Rule 5.4.5G of the Prospectus Regulation Rules and paragraphs 128 to 130 of the FCA Technical Note.

Save for any responsibility arising under the Code and Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 3 and Annex 12 of the UK Version of Commission Delegated Regulation (EU) 2019/980, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

1.14. Confidentiality

In accordance with the recommendations of the RICS, this Report is provided solely for the purpose stated in this Report. It is confidential to and save as set out in paragraph 1.13 above, the contents of this Valuation Report for the use only of the Addressees. Any other such parties rely upon this Report at their own risk. Neither the whole nor any part of this Report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

We understand that the Report is for inclusion in the Announcement, the Scheme Document and the Combined Prospectus and Circular and any further documents or announcements to be published by the Company and/or LXi in accordance with the Transaction. We consent to the publication and reproduction of the Report as required subject to the provisions of our Terms of Engagement.

1.15. Portfolio Valuation General Assumptions and Conditions

All valuation advice has been carried out on the basis of the *General Assumptions and Conditions* set out in Section 3.

1.16. Reliance

This report is addressed to and capable of being relied upon by:

- (i) the Company;
- (ii) Peel Hunt LLP (in its capacity as sponsor, joint financial adviser and broker to the Company), 100 Liverpool Street, London EC2M 2AT;
- (iii) Barclays Bank PLC (in its capacity as lead financial adviser and broker to the Company), acting through its Investment Bank, 1 Churchill Place, London E14 5HP;
- (iv) J.P. Morgan Securities plc (in its capacity as joint financial adviser and broker to the Company), 25 Bank Street, Canary Wharf, London E14 5JP;
- (v) LXi REIT plc, 8th Floor, 100 Bishopsgate, London EC2N 4AG;
- (vi) Lazard & Co., Limited (in its capacity as joint financial adviser to LXi), 50 Stratton Street, London W1J 8LL; and
- (vii) Jefferies International Limited (in its capacity as financial adviser and corporate broker to LXi), 100 Bishopsgate, London EC2N 4JL,

(together, the **Addressees**) provided that, in relying on this report, each of the Addressees acknowledges and agrees that:

- this report refers to the position at the date it was originally issued and, unless otherwise confirmed by us in writing, we have taken no action to review or update this report since the date it was originally issued;
- our aggregate liability to any one or more or all of the Addressees in respect of this report shall be limited to the amount as set out in our letter of engagement with the Company dated 9 January 2024; and

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- this report is subject to the terms and conditions set out in our letter of engagement with the Company dated 9 January 2024.

Notwithstanding the above, we acknowledge that this report will also be for the use of the shareholders of the Company and the shareholders of LXI for the specific Purpose set out in this Valuation.

This Report is subject to the terms and conditions set out in our Terms of Engagement dated 9 January 2024.

1.17. Signatories

Claire Magowan MRICS
RICS Registered Valuer
Director

Ollie King MRICS
RICS Registered Valuer
Director

For and on behalf of Savills Advisory Services Limited, a subsidiary of Savills Plc

Regulated by RICS
Registered in England No. 06215875
Registered Office: 33 Margaret Street, London, W1G 0JD

1.18. Date of Report

6 February 2024

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Property Address



2. Schedule of Properties

Property Address	Town	Inspection Date	Tenure	Use
Unit 1 & Unit 2 Southam Road	Banbury	28/12/2023	FH	Retail Warehouse
Boots UK Limited, 277/279 High Street	Bangor	05/08/2022	FH	Retail Warehouse
Brook Retail Park	Bromsgrove	14/04/2022	FH	Retail Warehouse
St Peters Retail Park, Lichfield Street	Burton Upon Trent	22/05/2022	FH	Retail Warehouse
Halls Mill Retail Park	Bury	04/01/2024	FH	Retail Warehouse
Airport Retail Park, London Road	Coventry	12/08/2021	FH	Retail Warehouse
Four Pools Retail Park, Four Pools Lane	Evesham	20/05/2022	FH	Retail Warehouse
Cantium Retail Park, Old Kent Road	London	26/05/2023	FH	Retail Warehouse
Bramingham Park, Enterprise Way	Luton	28/12/2023	FH	Retail Warehouse
B&Q	Nelson	04/01/2024	FH	Retail Warehouse
Beverley Way	New Malden	18/12/2023	FH	Retail Warehouse
Willowbeck Road	North Allerton	15/12/2023	FH	Retail Warehouse
64-67 High Street	Stourbridge	11/09/2022	FH	Retail Warehouse
Uckfield Retail Park, Batt's Bridge Road	Uckfield	26/04/2023	FH	Retail Warehouse
Weymouth Phase 2, Weymouth Gateway Mercery Road	Weymouth	21/08/2022	FH	Retail Warehouse
Halfords & Dunelm	Birchley	13/08/2021	FH	Retail
Apex Retail Park	Birmingham	11/07/2023	FH	Retail
DFS/ Sofology, John Kempe Way Middleway	Birmingham	13/08/2021	FH	Retail
DFS/ Sofology, Highwood Lane Patchway, Cribbs Causeway	Bristol	28/07/2022	LH (97 yrs)	Retail
DFS Broadstairs, Westwood Junction	Broadstairs	01/02/2022	FH	Retail
DFS	Carlisle	05/10/2023	FH	Retail
DFS Store & Pets at Home, Metro Park West Gateshead	Gateshead	11/05/2022	FH	Retail

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Property Address	Town	Inspection Date	Tenure	Use
DFS/ Sofology/ Costa, 2029 London Road Tollcross	Glasgow	11/06/2022	FH	Retail
11 Church Street	Kingston	18/12/2023	FH	Retail
Dunstable Road Retail Park, Dunstable Road	Luton	28/12/2023	FH	Retail
Burlington Retail Park, Burlington Road	New Malden	02/06/2023	FH	Retail
DFS & former Mothercare Stores, Mariners Way Ashton-on-Ribble	Preston	26/07/2021	FH	Retail
DFS Store, 3 Hylton Grange Off Wessingham Way	Sunderland	30/07/2021	FH	Retail
The Range	Truro	20/06/2023	FH	Retail
Kwik Fit Aylesbury, Park Street	Aylesbury	02/02/2023	FH	Trade
STS Tyre Pros, 24/28 St Albans Road	Barnet	08/08/2022	FH	Trade
Cable & Wireless UK, Talbot Way	Birmingham	12/08/2021	LH (91 yrs)	Trade
National Express Yardley Wood, Yardley Wood Road Yardley Wood	Birmingham	12/08/2021	FH	Trade
Southern Cross Trading Estate	Bognor Regis	21/02/2022	FH	Trade
Wickes Store, 34 Dukes Road	Carlisle	05/10/2023	FH	Trade
Halfords Autocentre	Chelmsford	27/06/2023	FH	Trade
Kwik Fit Colchester, 103 North Station Road	Colchester	27/06/2023	FH	Trade
Meggitt, Swallow Road Off Holbrook Lane	Coventry	12/08/2021	FH	Trade
Halfords Autocentre, Unit 8 and 9, Orbital One	Dartford	02/03/2023	FH	Trade
Kwik Fit Dereham, Yaxham Road	Dereham	10/08/2021	FH	Trade
MKM, 71 Nuneaton Street	Glasgow	11/06/2022	FH	Trade
MKM Plot 4 Haverhill Business Cent, Icen Way	Haverhill	09/08/2021	FH	Trade
Virgin Media, Connect House, Unit 2 Swallowfield Way	Hayes	02/02/2023	FH	Trade
Kwik Fit Hounslow, 213 Staines Road	Hounslow	08/08/2022	FH	Trade
Spenhill Retail Park, Anson Road Martlesham Heath	Ipswich	22/02/2023	FH	Trade
Kwik Fit Hammersmith, 332/336 Goldhawk Road Hammersmith	London	29/07/2021	FH	Trade

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Property Address	Town	Inspection Date	Tenure	Use
Kwik Fit Whetstone, 997/1003 High Road Whetstone	London	08/08/2022	FH	Trade
Kwik Fit Milton Keynes, Saxon Street Bletchley	Milton Keynes	08/08/2022	FH	Trade
Virgin Media, Unit 6 and 7. Shannon Commercial Centre Beverley Way	New Malden	02/02/2023	FH	Trade
Kwik Fit Norwich, Broadsmann Close	Norwich	10/08/2021	FH	Trade
Selco, Cray Avenue	Orpington	02/03/2023	FH	Trade
Kwik Fit Rainham, 194-6 High Street	Rainham	17/08/2023	FH	Trade
Kwik Fit Slough, 1 Bath Road	Slough	08/08/2022	FH	Trade
Kwik Fit Stevenage, 100 High Street	Stevenage	05/08/2022	FH	Trade
Halfords Autocentre	Tilbury	29/03/2022	FH	Trade
MKM / Howden Trade Counter, Hithercroft Industrial Estate	Wallingford	06/05/2022	FH	Trade
Wickes, Blaby Road	Wigston	06/08/2021	FH	Trade
Kwik Fit Windsor, 22a Alma Road	Windsor	08/08/2022	FH	Trade
Costco	Coventry	12/08/2021	FH	Supermarket
Waitrose	Harborne	13/08/2021	FH	Supermarket
Waitrose	Keynsham	02/08/2023	FH	Supermarket
M&S Foodhall, Crown Square	Matlock	23/09/2023	LH (85 yrs)	Supermarket
Waitrose	Paddock Wood	08/02/2022	FH	Supermarket
Booker, Edginton Way	Sidcup	30/05/2023	FH	Supermarket
428 Victoria Road	South Ruislip	26/01/2022	FH	Supermarket
Sainsburys, Boston Road	Spilsby	15/07/2023	FH	Supermarket
Booker Stirchley	Stirchley	13/08/2021	FH	Supermarket
Waitrose	Towcester	28/12/2023	FH	Supermarket
Waitrose, Tresham Crescent	Yateley	03/08/2021	FH	Supermarket
Owain Glyndwr, 10 St John's Street	Cardiff	27/06/2023	FH	Leisure
Odeon Chelmsford, Kings Head Walk	Chelmsford	27/06/2023	LH (119 yrs)	Leisure
Odeon Luxe Hull, Kingston Park	Hull	17/11/2022	LH (117 yrs)	Leisure
Gelder Road, Birstall	Leeds	01/09/2023	FH	Leisure

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Property Address	Town	Inspection Date	Tenure	Use
Odeon Luxe Lee Valley, Lee Valley Leisure Complex Picketts Lock Lane, Edmonton	London	30/07/2021	LH (95 yrs)	Leisure
Travelodge, 329-335 Clifton Drive	Lytham St Annes	05/08/2022	FH	Leisure
Odeon Luxe Tamworth, 50 Bolebridge Street	Tamworth	18/08/2021	LH (241 yrs)	Leisure
Odeon Luxe Telford, Forgegate Telford Town Centre	Telford	18/08/2021	FH	Leisure
Co-op Food & Petrol – Barry, Pontypridd Road (B4266/A4226) Weycock Cross	Barry	03/07/2023	FH	Automotive
Co-op Food & Petrol – Basing, Grove Road (off A339)	Basingstoke	05/04/2023	FH	Automotive
Burger King Roadside, Bicester 'Gateway'	Bicester	05/04/2023	FH	Automotive
Starbucks Roadside, A34 Northbound	Bicester	11/09/2022	FH	Automotive
Bournemouth Service Station, Holdenhurst Road	Bournemouth	08/12/2021	FH	Automotive
Ingrave Service Station, 130 Brentwood Road Herongate	Brentwood	20/07/2022	FH	Automotive
IMO Car Wash, Picton Court Retail Park Waterton	Bridgend	13/12/2021	FH	Automotive
IMO Car Wash, Margate Road	Broadstairs	05/04/2023	FH	Automotive
IMO Car Wash – Chorley, Harpers Lane	Chorley	25/10/2023	FH	Automotive
Co-op Food & Petrol, Becontree Avenue	Dagenham	20/07/2022	FH	Automotive
MFG Glastonbury, Wirral Park Road	Glastonbury	04/07/2023	FH	Automotive
Co-op, 261/263 High Street	Harborne	21/11/2023	FH	Automotive
Co-op Hillingdon, Lees Corner Uxbridge Road Hillingdon Heath	Hillingdon	04/10/2023	FH	Automotive
IMO Car Wash, Hawes Street	Ipswich	22/02/2023	FH	Automotive
Malling Service Station, 96/106 Malling Street	Lewes	20/07/2022	FH	Automotive
Bow Road Service Station, 127/131 Bow Road	London	18/04/2023	FH	Automotive
Co-op, King Cross, Caledonian Service Station, 219/227 Caledonian Road	London	18/04/2023	FH	Automotive

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Property Address	Town	Inspection Date	Tenure	Use
Lakedale Service Station, Plumstead High Street Plumstead	London	20/07/2022	FH	Automotive
Co Op, Ampress Park	Lymington	08/12/2021	FH	Automotive
McDonalds, Picket Post	New Forest	08/12/2021	FH	Automotive
Co-op Food & Petrol, High Cross Road (B4266/A4226) High Cross/ Rogerston	Newport	13/12/2021	FH	Automotive
Pevensey Service Station, Bexhill Road	Pevensey	20/07/2022	FH	Automotive
IMO Car Wash, Glenside Rise Plympton	Plymouth	30/07/2022	FH	Automotive
IMO Car Wash, Cabot Lane	Poole	08/12/2021	FH	Automotive
Starbucks Roadside, Westbound Express	Rhyl	11/09/2022	LH (244 yrs)	Automotive
Starbucks Roadside, Eastbound Express	Rhyl	11/09/2022	LH (244 yrs)	Automotive
Daff-Y-Nant Services – PFS, A40 Southbound Whitchurch	Ross on wye	13/12/2021	FH	Automotive
Starbucks, John Clark Way (A5001)	Rushden	20/09/2021	FH	Automotive
Starbucks Roadside, A168 Northbound	Thirsk	21/11/2023	FH	Automotive
BP Filling Station, Hastings Road Matfield	Tonbridge	05/04/2023	FH	Automotive
McDonalds, Maresfield Bypass	Uckfield	26/04/2023	FH	Automotive
Zood, Brookside Road	Uttroter	23/08/2023	FH	Automotive
Sandford Service Station, Main Road	Wareham	08/12/2021	FH	Automotive
McDonalds, Clenchwarton Road	West Lynn	13/12/2023	FH	Automotive
IMO Car Wash 2, Weston Links	Weston-Super-Mare	03/07/2023	FH	Automotive
IMO Car Wash 1, New Bristol Road	Weston-Super-Mare	03/07/2023	FH	Automotive
McDonalds, A41 Wrexham Road	Whitchurch	03/07/2023	FH	Automotive
Starbucks/ Subway Road, Biggs Road	Wisbech	13/12/2023	FH	Automotive
Nunnery Park Service Station, Nunnery Way/ Horn Hill Road	Worcester	04/07/2023	FH	Automotive
Worthing Service Station, Nelson Road	Worthing	20/07/2022	FH	Automotive
McDonalds, Yarmouth Road	Yarmouth	18/09/2021	FH	Automotive

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Property Address	Town	Inspection Date	Tenure	Use
Forward Park	Birmingham	10/08/2021	FH	Industrial
Keens House, Anton Trading Estate	Andover	18/12/2023	FH	Offices
County House, London Road	Chelmsford	20/12/2023	FH	Offices
Compton Court	Coventry	12/08/2021	LH (123 yrs)	Offices
Oak Tree Court	Coventry	12/08/2021	LH (126 yrs)	Offices
One Lochside Way, Edinburgh Park	Edinburgh	14/12/2023	Her	Offices
Mercury House, Belshill	Glasgow	14/12/2023	Her	Offices
Mucklow Office Park	Halesowen	11/08/2021	FH	Offices
Glory Park	High Wycombe	18/12/2023	FH	Offices
15 London Road	Redhill	19/12/2023	FH	Offices
Land Mucklow Hill	Halesowen	11/08/2021	FH	Other
Land Bewdley Road, Bewdley Road	Stirchley	13/08/2021	FH	Other
Weymouth Phase 3, Weymouth Gateway Mercery Road	Weymouth	21/08/2022	FH	Other
Clifton Moor Gate	York	05/05/2022	FH	Other
Highbury Stadium Square, Avenell Road	London	-	LH (238 yrs)	Residential
24 Haymarket	London	18/12/2023	LH (86 yrs)	Mixed Use

3. Portfolio Valuation General Assumptions and Conditions

General Assumptions

Our reports and valuations are carried out on the basis of the following General Assumptions:

Tenure and Tenancies

That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoing contained in the Freehold Title. We will not inspect the Title Deeds or Land Registry Certificate and shall rely upon information provided by you or your solicitor relating to both tenure and tenancy data. Should there be any mortgages or charges, we have assumed that the Properties would be sold free of them.

Condition and Repair

That the buildings are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair. Our inspection of the properties and this report do not constitute a building survey. Our Valuation is on the basis that a building survey would not reveal material defects or cause us to alter our Valuation materially.

That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We will not carry out any investigations into these matters.

That the properties are not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice.

That the buildings have been constructed and is used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful.

That the properties are connected or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage. Sewers, mains services and roads giving access to the Properties have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.

Environmental Risks

That the properties have not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.

That there are no adverse site or soil conditions, that the properties are not adversely affected by the Town and Country Planning (Assessment of Environmental Effects) Regulations 1988, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our valuation.

That the properties are free from environmental hazards, including infestation from invasive plants such as Japanese Knotweed. This assumption is made in recognition of the fact that identifying Japanese knotweed is problematic and cannot be guaranteed. This is partly because during the early stages of its annual life cycle some of the classic visual characteristics are not distinctive and during the winter months the plant sheds its leaves and suffers die back. It is also possible that Japanese knotweed has received a

herbicide-based treatment which has removed all visible above ground signs but may not have killed the below ground rhizome (root) which, in turn, may lead to new growth and the spread of the plant in time.

Floor Areas

That any floor areas provided by a third party and assigned to Savills (UK) Limited, have been measured in accordance with the current RICS Property Measurement. This is the basis on which we will carry out measured surveys as instructed.

Development Opportunity

In situations where a property is in the course of development, we reflect its physical condition and the costs remaining to be spent at the valuation date. We have considered the cost estimates provided by the professional advisors involved in the project.

In the case of properties where we have been asked to value the site under the special assumption that the properties will be developed, there are no adverse site or soil conditions, that the properties are not adversely affected by the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.

General Conditions

Our reports and valuations are carried out on the basis of the following General Conditions:

1. We have not made any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the properties. No allowance has been made for any expenses of realisation.
2. Our valuations are exclusive of VAT (if applicable).
3. Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
4. Our valuations are prepared in accordance with the latest edition of the RICS Valuation – Global Standards (“the Red Book”) on the basis of Market Value, unless instructed otherwise. Any such deviation is expressly stated in our terms of engagement.
5. Each property has been valued individually and no allowance has been made, either positive or negative, should it form part of a larger disposal. The total stated is the aggregate of the individual Market Values.
6. No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEU legislation, insofar that the latter is applicable.
7. That we have been supplied with all information likely to have an effect on the value of the properties and that the information supplied to us and summarised in this report is both complete and correct.
8. Our valuations are based on market evidence which has come into our possession from numerous sources. That from other agents and valuers is given in good faith but without liability. It is often provided in verbal form. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.
9. The files which we hold relating to all of our property valuations may be subject to monitor and audit by the RICS under its conduct and disciplinary regulations.

Part C: Knight Frank Valuation Report in respect of LXi

Valuation Report.

LXi REIT plc

Valuation date: 31 December 2023

Important Notice to all readers of this report

Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank LLP does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.

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(hereinafter referred to as the “**Offeror**”)

Barclays Bank plc, acting through its Investment Bank (acting as lead financial adviser and joint corporate broker to the Offeror)
1 Churchill Place
London
E14 5HP

Peel Hunt LLP (acting as sole sponsor, financial adviser and joint corporate broker to the Offeror)
7th Floor, 100 Liverpool Street
London
EC2M 2AT

J.P. Morgan Securities plc (acting as financial adviser and joint corporate broker to the Offeror)
25 Bank Street
Canary Wharf
London
E14 5JP

(each an “Addressee” and together the “Addressees”)

Date of issue: 6 February 2024

Dear Sir/Madam

Valuation Report in respect of the properties of LXI REIT plc as at 31 December 2023 for inclusion in a Rule 2.7 Announcement, Scheme Document and Combined Prospectus and Circular (“Valuation Report”)

Further to your instructions, we are pleased to provide our Valuation Report in respect of the freehold, heritable or leasehold interests in the properties (“Properties”) set out in Appendix 1 (List of Properties) below in connection with inclusion in a 2.7 Announcement, Scheme Document to be published by the Client and a Combined Prospectus and Circular to be published by the Offeror, in connection with a possible all-share merger of the Client and the Offeror (the “Transaction”). If you have any queries regarding this Valuation Report, please let us know as soon as possible.

Signed for and on behalf of Knight Frank LLP

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1. About this report

Engagement of Knight Frank LLP

- 1.1 This Valuation Report sets out our valuation, as at 31 December 2023 (“valuation date”), of the Properties (“Valuation”). This Valuation Report has been prepared in accordance with our Terms of Engagement letter dated 9 January 2024 addressed to the Addressees, and our General Terms of Business for Valuation Services (together the “Agreement”).

Client

- 1.2 We have been instructed to prepare this Valuation Report by LXI REIT plc. However as set out above, this Valuation Report has also been addressed to other Addressees.

Valuation standards

- 1.3 The Valuation has been undertaken in accordance with and complies with: (a) the current editions of RICS Valuation – Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement. References to the “Red Book” refer to either or both of these documents, as applicable; (b) Rule 29 of the City Code on Takeovers and Mergers (the “Code”) as issued by the UK Panel on Takeovers and Mergers; (c) paragraphs 128-130 of the Financial Conduct Authority (“FCA”) Primary Market Technical Note 619.1 (the “FCA Technical Note”); and (d) Rules 5.4.5 and 5.4.6 of the UK Prospectus Regulation Rules published by the FCA and item 2.7 of Annex 4 to the UK Prospectus Regulation Rules.
- 1.4 The Properties have been valued by a valuer who is qualified for the purposes of the Valuation in accordance with Rule 29 of the Code. For the purposes of this Valuation Report, “UK Prospectus Regulation Rules” shall mean the prospectus regulation rules made by the FCA for the purposes of part 6 of the Financial Services and Markets Act 2000.

Status and experience of valuer

Valuer and expertise

- 1.5 The valuers, on behalf of Knight Frank LLP, with the responsibility for this Valuation Report are Chris Galloway MRICS, RICS Registered Valuer and Nicholas Peart-Moisey MRICS, RICS Registered Valuer (“Lead Valuers”). Parts of the Valuation have been undertaken by additional valuers as listed on our file.
- 1.6 We confirm that the Lead Valuers and any additional valuers who value the Properties meet the requirements of the Red Book and Rule 29.3(a)(iii) of the Code in having sufficient current knowledge of the particular market and the skills and understanding to undertake the Valuation and prepare this Valuation Report competently and, are appropriately qualified for the purposes of the Valuation as required by Rule 29.3(a)(ii) of the Code, and are independent of the parties to the offer as required by Rule 29.3(a)(i) of the Code.
- 1.7 We confirm that we are not aware of any reason why we would not satisfy the requirements of Rule 29.3(a)(i) of the Code.

Conflicts of Interest: Declaration and Disclosures

- 1.8 For the purposes of Directive 2011/61/EU and/or any implementing legislation, laws or regulations thereof (including, but not limited to, the Alternative Investment Fund Manager's Regulations 2013) ("AIFMD") we act as the Client's valuation advisers but are not acting as "External Valuer" (as defined therein). Our role is limited to providing property valuation services in accordance with the Red Book under the terms of the Agreement; we shall not perform the valuation function referred to in Article 19 of AIFMD for the Client, and, we are not responsible for making the final determination of the value of the Properties nor for the calculation of the Net Asset Value of the Client.
- 1.9 We confirm that the Lead Valuers and additional valuers meet the requirements of the Red Book, having sufficient current knowledge of the particular market and the skills and understanding to undertake the Valuation competently.
- 1.10 We confirm that we have no material interest in the Client and we have acted as an External Valuer for the purpose of valuing the Properties pursuant to the terms of our letter of engagement dated September 2017.
- 1.11 This Valuation Report has been vetted as part of Knight Frank LLP's quality assurance procedures.
- 1.12 We recognise and support the RICS Rules of Conduct and have procedures for identifying conflicts of interest.

Independence

- 1.13 As set out in paragraph 1.8, Knight Frank LLP currently values the Properties, for financial reporting purposes, on behalf of the Client. The total fees for this assignment, earned by Knight Frank LLP (or other companies forming part of the same group of companies within the UK) from the Client (or other companies within the UK) is less than 5.0 per cent. of the total UK revenues. It is not anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, by the Client.
- 1.14 Other these valuation services, Knight Frank LLP have no material involvement with the assets being valued and we confirm that we can report without any material conflict.

Use of this Valuation

Purpose of valuation

- 1.15 The Valuation and this Valuation Report are each provided solely for the purpose of:
- (A) inclusion in an announcement proposed to be made by the Client and the Offeror pursuant to Rule 2.7 of the Code in connection Transaction (the "**Rule 2.7 Announcement**");
 - (B) inclusion in a scheme circular to be published by the Client in connection with the Transaction (the "**Scheme Document**");
 - (C) inclusion in a combined prospectus and circular to be published by the Offeror in connection with the Transaction and the issue and allotment of new shares in the capital of the Offeror pursuant to the terms of the Transaction (the "**Combined Prospectus and Circular**");
 - (D) inclusion and/or reference to it in any other announcements, documents and/or supplementary documents required to be released by the Client and/or the Offeror pursuant to the Code and which directly relate to the Transaction (each a "**Code Document**"); and

(E) publication on the Client's website and the Offeror's website in accordance with the requirements of Rule 26.3 of the Code and the UK Prospectus Regulation Rules,

(together, the **"Purpose"**).

Reliance

- 1.16 This Valuation Report has been prepared for the Addressees only and is for the use of and may be relied upon by the Addressees for the Purpose. Notwithstanding the General Terms, we acknowledge that this Valuation Report will also be for the use of the shareholders of the Client and the Offeror for the Purpose set out above.
- 1.17 Save for: (a) the Addressees; and (b) any responsibility arising under the Code and/or the UK Prospectus Regulation Rules to any person as and to the extent there provided, in accordance with Clauses 3 & 4 of the General Terms and to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with the UK Prospectus Regulation Rules and Rule 29 of the Code.

Disclosure & publication

- 1.18 The Valuation has been prepared for the Client and in accordance with the Agreement which governs its purpose and use. As stated in the Agreement, this Valuation Report is confidential to the Addressees and must not be disclosed to any person other than for the Purpose without our express written consent. Other than for the Purpose, neither the whole, nor any part of this Valuation Report nor any reference thereto may be included in any prospectus, listing particulars, published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.
- 1.19 Notwithstanding paragraph 1.18 above, this Valuation Report may be disclosed as set out below:
- Subject to the terms and conditions (but disregarding for these purposes clauses 4.3 to 4.6 (inclusive) of the General Terms) of the Agreement and our approval of the form and context thereof, we hereby confirm that we will authorise and consent to the disclosure of this Valuation Report:
- i. as may be required by any applicable court of competent jurisdiction or other competent judicial or governmental body or any applicable law or regulation or pursuant to government action, regulatory requirement or request;
 - ii. to each Addressee's affiliates and each Addressee's affiliates' respective directors, officers, employees, agents, professional advisers, insurers, auditors and bankers that need to see the Valuation in connection with the Purpose;
 - iii. in seeking to establish a defence or otherwise in connection with any actual or threatened legal or regulatory proceedings or investigation relating to the matters set out in this Letter or claims that may be brought against them arising from their roles as sponsor and/or financial advisers to the Client;
 - iv. in investor presentations and other investor education materials prepared in connection with the Transaction, and in any private discussions with Investors or other third parties in connection with the Transaction; and
 - v. for the Purpose.

- 1.20 It is a condition of such disclosure that each party in receipt of this Valuation Report that is not an Addressee agrees and acknowledges that this Valuation Report cannot be relied upon by them, and we do not accept any responsibility, duty of care or liability to them, whether in contract, tort (including negligence), misrepresentation or otherwise in respect of the Valuation and the information it contains. For the avoidance of doubt, nothing in the preceding sentence shall affect our responsibility, for the purposes of Rule 5.3.2R(2)(f) of the UK Prospectus Regulation Rules, or under paragraphs 1.16 and 1.17 of this Valuation Report for the information contained in this Valuation Report.
- 1.21 This Valuation Report complies with Rule 29 of the Code and we understand that the publication or reproduction by the Client of this Valuation Report and/or the information contained herein as required by Rules 26 and 29 of the Code is necessary, including in the Rule 2.7 Announcement, the Scheme Document and any Code Document.
- 1.22 We confirm that this Valuation Report complies with Rules 5.4.5G and 5.4.6G of the UK Prospectus Regulation Rules and paragraphs 128 to 130 of the FCA Technical Note.
- 1.23 We confirm that the information contained in the Combined Prospectus and Circular or any supplementary prospectus and/or circular (as the case may be) which is extracted from this Valuation Report is accurate, balanced and complete and is not misleading or inconsistent with this Valuation Report as prepared by us and has been properly extracted, derived or computed from this Valuation Report.
- 1.24 The Addressees agree and acknowledge that we shall have no liability for any error, omission or inaccuracy in this Valuation Report to the extent resulting from our reliance on information provided by or on behalf of the Addressees unless otherwise stated. Notwithstanding the above, we highlight the restricted nature of this instruction, in accordance with the Red Book; as a result the reliance that can be placed on the Valuation is limited.

Verification

- 1.25 We recommend that before any financial transaction is entered into based upon the Valuation, you obtain verification of any third-party information contained within this Valuation Report.
- 1.26 We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this Valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

Limitations on liability

- 1.27 Knight Frank LLP's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited in accordance with the terms of the Agreement. Knight Frank LLP accepts no liability for any indirect or consequential loss or for loss of profits.
- 1.28 We confirm that we hold adequate and appropriate PII cover for this instruction.
- 1.29 No claim arising out of or in connection with this Valuation may be brought against any member, employee, partner or consultant of Knight Frank LLP. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank LLP.
- 1.30 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Scope of work

Information to be relied upon

- 1.31 We have relied upon the information previously provided to us by you, or by third parties in respect of the 31 December 2023 Valuation and will assume it to be correct for the purposes of the Valuation unless you inform us otherwise, subject only to any valuation that we have agreed to undertake.
- 1.32 Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisors before any Valuation can be relied upon.
- 1.33 We are instructed to rely on floor areas and tenancy information provided by the Client. We have not read lease agreements nor verify accordance between tenancy schedule and lease terms.
- 1.34 Knight Frank LLP cannot be held liable as regards the legal description of the Properties, its use, non-compliance with statutory requirements, technological and natural risks, the areas taken into account, the existence of concealed defects, presence of asbestos, adverse ground condition, presence of soil contamination, presence of insects, noxious animals or plants, rot, or deleterious materials, etc. This Valuation Report comments on the above on the basis of Technical or Environmental reports, if provided.

Inspections

- 1.35 In our ongoing role as External Valuers, we have previously been instructed to carry out an inspection of the Properties, with all Properties being inspected externally and some being inspected internally. The Valuation has been prepared in accordance with our previous inspections of the Properties. Our inspections of all the Properties have been undertaken within the last twelve months.

Information Provided

- 1.36 In this Valuation Report we have been provided with information by the Client, its advisors and other third parties. We have relied upon this information as being materially correct in all aspects.

- 1.37 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this Valuation Report.
- 1.38 We have assumed there to be good and marketable titles to the Properties. We have made oral enquiries with the Client where appropriate and have taken account, insofar as we are aware, of unusual outgoing, planning proposals and onerous restrictions or local authority intentions which affect the Properties. However, this information has been provided to us on the basis that it should not be relied upon.
- 1.39 We have been supplied with details of tenure and tenancies and have valued on the basis that there are no undisclosed matters which would affect our valuation.
- 1.40 We have not undertaken any building surveys or environmental audits and are therefore unable to report that the Properties are free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of materials now suspect. No tests were carried out on any of the technical services. However, we have reflected any apparent wants of repair in our opinion of value as appropriate.
- 1.41 The Properties have been valued individually, not as part of a portfolio.

Assumptions

- 1.42 We have assumed, except where we have been informed to the contrary, that there are no adverse ground or soil conditions or environmental contaminations which would affect the present or future use of the Properties and that the load bearing qualities of the site of each property are sufficient to support the buildings constructed or to be constructed thereon.

Special Assumptions

- 1.43 The Valuation has been undertaken on the special assumptions that the Properties are fully constructed and income producing as at the Valuation Date. This assumption only relates to the following properties:

Under Construction:

- Retail Pod at Morrisons Store, Lysander Road, Yeovil
- Ferry Road, 102 Pilton Drive, Edinburgh, EH5 2XS
- 2, Greenmarket, Dundee, DD1 4EH
- Tesco & Home Bargains, Houghton Le Spring
- Co-op, Horncastle
- M&S, Largs

Final Payments to be made:

- Loaning Meadows Retail Park, Berwick Upon Tweed
- Sainsbury's, 2 Dog Lane, Bewdley, Worcestershire, DY12 2BU
- Lidl, The Brickyard, High Street, East Ham

- 1.44 Should the Properties above be treated as developments and valued using the residual method, the value reported would be significantly different incorporating outstanding construction costs, finance, developers profit, fees and tenant incentive packages.

2. Valuation

Methodology

- 2.1 The Valuation has been undertaken using appropriate valuation methodology and our professional judgement.

Comparative method

- 2.2 In undertaking the Valuation, we have made our assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject Properties. With the benefit of such transactions we have then applied these to the Properties, taking into account size, location, aspect and other material factors.

Investment method

- 2.3 The Valuation has been carried out using the comparative and investment methods. In undertaking the Valuation, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject properties. With the benefit of such transactions we have then applied these to the Properties, taking into account size, location, terms, covenant and other material factors.

Valuation bases

- 2.4 The basis of value for the Valuation as required by the Code is Market Value and therefore these valuations have been prepared on a Market Value basis.

Market Value

- 2.5 Market Value is defined within RICS Valuation – Global Standards as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Portfolios

- 2.6 In a valuation of a property portfolio, we have valued the individual properties separately and we have assumed that the individual properties have been marketed in an orderly way.

Market Value

Market Value

- 2.7 We are of the opinion that the aggregate Market Value of the freehold, heritable and long leasehold interests in the Properties, subject to the existing tenancies on the special assumptions highlighted above, as at the valuation date is:

£3,022,990,000 (Three Billion, Twenty Two Million and Nine Hundred and Ninety Thousand Pounds).

€161,675,000 (One Hundred and Sixty One Million, Six Hundred and Seventy Five Thousand Euros).

- 2.8 The tenure of the Properties held by the Company as at 31 December 2023 comprises the following:

	No. of properties	Market Value
Freehold	233	£2,183,505,000
Heritable	28	£185,345,000
Long leasehold	85	£654,140,000
Total	346	£3,022,990,000

	No. of properties	Market Value
Freehold	2	€161,675,000
Long leasehold	0	€0
Total	2	€161,675,000

- 2.9 There are no negative values to report.

- 2.10 There are two Properties of the 348 held by the Company as at 31 December 2023 which individually account for more than 5 per cent. of the aggregate value of the individual Market Values as at 31 December 2023. These Properties are listed in the table below.

Address	Tenure	Market Value
Ramsey Rivers Hospital, Sawbridgeworth, Chelmsford, CM21 0HH	Freehold	£180,600,000
Alton Towers Theme Park, Wooton Lane, Alton, ST10 4DB	Leasehold	£166,825,000
Total		£347,425,000

- 2.11 For the purposes of Rule 29.5 of the Code, we confirm that in our opinion the current valuation of the Properties as at the date of this Valuation Report would not be materially different from the valuation of the Properties as at the valuation date.
- 2.12 We are not aware, as a result of our role as an External Valuer of the Properties of any matter which would materially affect the Market Value of the Properties which is not disclosed in this Valuation Report (subject to the assumptions set out in this Valuation Report) and we are not aware of any matter in relation to this Valuation Report that we believe should be and has not yet been brought to the attention of the Addressees.

2.13 For the purposes of paragraph 130(vi) of the FCA Technical Note, we consider the differences between the valuation figure in this Valuation Report and the equivalent figure reported in the Client's latest published annual or consolidated accounts to be as a result of change in a number of factors impacting the valuation inputs, including, but not limited to:-

- The sale and acquisition of a number of properties;
- Deterioration in market conditions leading to outward yield movement in a number of properties in the industrial, office, automotive, hotels, healthcare, leisure, retail and food-store sector;
- Asset management initiatives in relation to the Travelodge Hotels leading to an increase in values;
- Asset management initiatives in relation to installation of electric vehicle charging points at retail and hotel sites leading to an increase in values;
- Tenant rental concession in the Healthcare sector leading to a reduction in values; and
- Negotiation for tenant surrender premium reflected at the properties in Leeds, Cardiff and Edinburgh.

Responsibility

2.14 For the purposes of the Code, we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure this is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with and is prepared in accordance with, and on the basis of, the Code. We authorise its contents for the purposes of Rule 29 of the Code. Knight Frank has given and has not withdrawn its consent to the inclusion of this Valuation Report in the Rule 2.7 Announcement, the Scheme Document and in the Combined Prospectus and Circular.

2.15 We accept responsibility (including for the purpose of Rule 5.3.2R(2)(f) of the UK Prospectus Regulation Rules) for the information contained in this Valuation Report and to the best of our knowledge, the information contained in this Valuation Report is in accordance with the facts and the Valuation Report makes no omission likely to affect its import.

Consent

2.16 Knight Frank LLP has given and has not withdrawn its consent to the inclusion of this Valuation Report in the Rule 2.7 Announcement, the Scheme Document and in the Combined Prospectus and Circular published by the Client and/or the Offeror in the form and context in which it is included.

2.17 We consent to the inclusion of the Valuation and this Valuation Report and any extracts or references thereto in the Combined Prospectus and Circular or any supplementary prospectus and/or circular (as the case may be) and the reference to our name in the form and context in which they are included in the Combined Prospectus and Circular or any supplementary prospectus and/or circular (as the case may be) (subject to us first approving the form and context in which our Valuation Report will appear).

Appendix 1 List of Properties

Tenure	Property Address	Property reference	Date of Inspection
FH	Biffa Waste Services Greenbank Road, East Tullos Industrial Estate Aberdeen	181	14/10/2023
LH	Bombardier Maintenance Biggin Hill Airport	91	19/10/2023
LH	Orbital 7, Orbital Park Cannock	127	10/07/2023
FH	Cazoo Cardiff 232 Penarth Road Cardiff	225	06/12/2023
LH	Customer Centre Carlisle 57a Kingstown Industrial Estate Carlisle	222	07/07/2023
FH	Geddington Road Land at North East and South West Side of Geddington Rd Corby	177	12/12/2023
FH	GE Cramlington North Nelson Industrial Estate Cramlington	5	05/08/2023
FH	Unit 11 Merchant Way Wheatley Hall Road Doncaster	176	20/09/2023
LH	Gestamp Aycliffe Industrial Estate Durham	134	04/08/2023
FH	22-26 Bankhead Drive Sighthill Edinburgh	221	12/12/2023
FH	31 Turnpike Road Newbury	30	23/05/2023
FH	Veolia Poole Plot 3 Holton Heath Trading Park Poole	130	23/05/2023
FH	Stobart Rotherham Greaseborough Depot North Drive Rotherham	23	06/12/2023
FH	Cornwall Road Smethwick	92	10/07/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Turbine Business Park Nissan Way Sunderland	27	08/08/2023
FH	Belasis Business Park 10-11 Belasis Business Park Billingham Teeside	28	04/08/2023
FH	Oak Lane West Bromwich	36	10/07/2023
FH	Stobart Widnes Viking Park Widnes	24	02/09/2023
FH	Andover Business Park Andover	54	19/12/2023
LH	Columbus Quarter Andover	39	19/12/2023
FH	Motorpoint Burnley Rosegrove Lane Burnley	14	07/04/2023
FH	Travelodge Camborne, Cornwall Tolvaddon Road Camborne	15	12/09/2023
FH	BT Dundee 2 Greenmarket Dundee	226	06/12/2023
FH	Mears Student Dundee 21 Brown Street Dundee	22	06/12/2023
FH	STV, Pacific Quay Glasgow	182	12/12/2023
LH	Hamilton Health & Racquet Club Mote Hill Hamilton	218	16/12/2023
LH	PGL Travel Winmarleigh Hall, Church Lane Lancaster	131	23/01/2023
FH	Kents Hill Training Centre Milton Keynes	229	16/08/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Copenhagen Way Norwich	55	18/12/2023
FH	Yarnfield Park Training & Conference Cen Stone	227	06/12/2023
FH	Q Parks, Surrey Street Croydon	93	23/05/2023
FH	Q-Park, Quatermile Car Park Simpson Loan Edinburgh	121	02/11/2023
FH	Q-Park, Candleriggs Car Park 37 Albion Street Glasgow	122	02/11/2023
FH	Q-Park Tower Bridge Car Park Gainsford Street London	120	05/12/2023
LH	Q-Park, Piazza Car Park St James Street Manchester	123	03/05/2023
FH	Q-Park, Waterside Car Park 5 Broad Road Manchester	124	25/02/2023
FH	Q-Park Sheffield Rockingham Street Sheffield	10	07/04/2023
LH	Q-Park, Riverside Car Park 5 Millsands Sheffield	125	07/04/2023
LH	Kent Street Car Park Kent Street York	219	07/04/2023
LH	Q-Park, Shambles Car Park Garden Place York	126	07/04/2023
FH	9 Bridge Street Aberdeen	33	30/09/2023
LH	Travelodge A96 Inverurie Road, Bucksburn Aberdeen	P039	23/04/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Travelodge Old Swanwick, Colliery Road Alfreton	P109	26/07/2023
FH	Travelodge A27/A29 Fontwell Arundel Fontwell	P110	13/04/2023
LH	Travelodge A303 Westbound Barton Stacey	P040	06/06/2023
LH	Travelodge Festival Leisure Park, Festival Way Basildon	P041	27/11/2023
LH	Travelodge Runwell Road, Wickford Basildon	P096	30/10/2023
FH	Travelodge Stag & Hounds, Winchester Rd Basingstoke	P042	22/04/2023
LH	Travelodge 1 York Buildings, George Street Bath Central	P111	07/07/2023
FH	Travelodge A421 Beancroft Rd, Marston Moretaine Bedford	P043	13/07/2023
FH	Travelodge A1 North, Nr. Chawston, Black Cat Roundabout, Wyboston Bedford	P112	11/07/2023
LH	Travelodge Chester Road, Castle Bromwich Birmingham	P098	17/06/2023
FH	Travelodge Moto Service Area, Frankley, M5 Motorway, Illey Lane, Frankl Birmingham	P114	10/08/2023
FH	Travelodge A4123 Wolverhampton Road, Oldbury Birmingham	P116	10/08/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Travelodge B4142 Boldmere Rd, Sutton Coldfield Birmingham	P117	11/07/2023
FH	Travelodge 230 Broad Street Birmingham Central	P113	11/07/2023
LH	Travelodge Cooper Dean Roundabout Bournemouth	P094	05/04/2023
FH	Travelodge London Road, Binfield Bracknell	P118	06/06/2023
LH	Travelodge Mid Point Bradford	P044	23/10/2023
FH	Travelodge A127 East Horndon, East Horndon Brentwood	P119	27/11/2023
LH	Travelodge First Motorway Services, M5 Service Area, Huntworth Business Bridgwater	P045	23/08/2023
FH	165-167 Preston Road Brighton	34	23/05/2023
FH	Travelodge Cribbs Causeway Bristol	P046	16/11/2023
LH	Travelodge Moto Service Area, M48 Motorway Bristol	P047	03/07/2023
FH	Travelodge A671/A679, Cavalry Barracks, Barracks Road Burnley	P048	23/10/2023
FH	Travelodge A38 Northbound, Barton-under-Needwood Burton	P049	13/10/2023
FH	Travelodge A38 Southbound, Barton-under-Needwood Burton	P050	09/08/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Cambridge Belfry Hotel Back Lane Cambourne, Cambridge	2	30/10/2023
FH	Travelodge A11 Fourwentways, Abington, Fourwentways Cambridge	P120	30/10/2023
FH	Travelodge Huntingdon Road (A14), Swavesey Cambridge	P121	30/10/2023
FH	Travelodge A299 Thanet Way, Faversham Canterbury	P122	12/06/2023
LH	Travelodge Circle Way East off A48, Llanedeyrn Cardiff	P123	28/06/2023
LH	Travelodge Moto Service Area Southwaite, M6 Motorway, Broadfield Road Carlisle	P051	15/08/2023
LH	Travelodge M6 Southbound, Todhills Carlisle	P124	15/08/2023
LH	Travelodge Warrington Road, Mickle Trafford Chester	P103	10/07/2023
FH	Travelodge A55 Eastbound Expressway, Northop Hall, Mold Chester Northop Hall	P052	07/07/2023
FH	Premier Inn Chesterfield Elder Way Chesterfield	12	26/08/2023
LH	Travelodge M4 Motorway, Moto Service Area, Leigh Delamere M4 Eastbound Chippenham	P125	01/09/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Travelodge Moto Service Area, Leigh Delamere, M4 Motorway M4 Westbound Chippenham	P126	23/08/2023
LH	Travelodge Hare Bushes, A429 Burford Rd Cirencester	P127	01/12/2023
LH	Travelodge Brinklow Road, Binley Coventry	P097	13/10/2023
LH	Travelodge Charles Street, Off Crossways Boulevard Dartford	P128	12/06/2023
LH	Travelodge Nottingham Road, Chaddesden Derby	P100	26/07/2023
FH	Travelodge A1 Great North Road, Carcroft Doncaster	P053	23/10/2023
FH	Travelodge A25 Reigate Road Dorking	P054	18/08/2023
FH	Travelodge A38 Rashwood Hill Droitwich	P055	14/06/2023
LH	Travelodge A82 Stirling Road, Milton Dumbarton	P056	27/04/2023
LH	Travelodge A75, Annan Road, Collin Dumfries	P057	07/07/2023
FH	Travelodge South Gyle Broadway Edinburgh Park Edinburgh	60	02/11/2023
LH	Travelodge 33 St. Mary's Street Edinburgh Central	P058	02/11/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Travelodge A10/A142 Roundabout, Witchford Road Ely	P059	30/10/2023
FH	Premier Inn Exeter 398 Topsham Road Exeter	220	17/11/2023
LH	Travelodge Moto Service Area, M5 Motorway, Sandygate Exeter	P060	11/07/2023
LH	Travelodge 114 Portsmouth Road Frimley	P095	06/06/2023
LH	Travelodge 251 Paisley Road Glasgow	P062	02/11/2023
FH	Travelodge 5-11 Hill Street Glasgow Central	P061	02/11/2023
FH	High Street Gosport	56	03/08/2023
LH	Travelodge Great North Road, South Witham Grantham	P129	26/07/2023
FH	Travelodge A47 Roundabout, Acle Bypass Great Yarmouth	P130	18/12/2023
FH	Travelodge A580 Piele Road, Haydock Haydock	P063	03/08/2023
FH	Travelodge M4 Moto service area, J2/J3 Eastbound, North Hyde Lane, Houn Heathrow	P131	30/10/2023
LH	Travelodge Moto Service Area, M4 Motorway, Phoenix Way, Heston, Hounslo Westbound Heathrow	P132	30/10/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Travelodge A22 Boship Farm Roundabout Hellingly Eastbourne	P064	05/06/2023
LH	Travelodge A63 Eastbound, Beacon Service Area Hull	P065	26/04/2023
LH	Travelodge A14 Eastbound Huntingdon Fenstanton	P066	03/08/2023
FH	Travelodge A303, Southfield Roundabout, Horton Cross Ilminster	P133	11/07/2023
LH	Travelodge Stonyfield, A96 Inverness Road Inverness	P134	22/04/2023
FH	Travelodge Junction 13, A14 Eastbound, Thrapston Kettering	P067	07/07/2023
FH	Travelodge M90 Junction 6 Kinross	P068	03/07/2023
FH	Travelodge Moto Service Area, M6 Motorway, Northbound J32/33, White Car Lancaster	P069	16/06/2023
LH	Travelodge Bruntcliffe Road, Morley Leeds	P106	09/08/2023
LH	Travelodge Blayd's Court, Blayds Yard Leeds Central	P135	09/08/2023
LH	Travelodge Hinckley Road Leicester	P099	13/07/2023
FH	Travelodge A46, Newark / Lincoln Road, Thorpe on the Hill Lincoln	P136	14/11/2023

Tenure	Property Address	Property reference	Date of Inspection
LH	25 Old Haymarket Liverpool	35	23/12/2023
LH	Travelodge Aigburth Road, Aigburth Liverpool	P104	10/07/2023
FH	Travelodge Brunswick Dock, Sefton Street Liverpool Docks	P137	10/07/2023
FH	A48, Cross Hands Llanelli	31	07/08/2023
LH	Travelodge A40 Western Avenue, Acton London Park Royal	P138	27/11/2023
FH	Travelodge Epsom Road, Morden London Wimbledon	P139	27/11/2023
FH	Travelodge Station Road, Woofferton Ludlow	P070	14/04/2023
FH	Travelodge London Road, South Adlington, Macclesfield Macclesfield	P140	07/08/2023
FH	Travelodge 11 Blackfriars Street, Salford Manchester Central	P071	09/08/2023
FH	Travelodge M2 Motorway, Moto Service Area, Rainham, Gillingham Medway	P141	12/06/2023
FH	Travelodge Melksham Commerce Way Melksham	8	23/05/2023
FH	Premier Inn Middlesbrough Wilson Street Middlesbrough	1	04/08/2023
FH	Travelodge Holmes Chapel Rd Middlewich	P142	07/08/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Travelodge A5 Old Stratford Roundabout, Old Stratford Milton Keynes	P143	12/07/2023
FH	Travelodge 199 Grafton Gate Milton Keynes Central	P072	12/07/2023
FH	Travelodge Tot Hill Services, A34 Newbury Bypass Newbury	P073	06/06/2023
FH	Travelodge A45, Upton Way Northampton	P074	13/07/2023
LH	Travelodge Moto Service Area, M1 J.23a, EM Airport Donington Park M1 Nottingham	P075	26/07/2023
FH	Travelodge Riverside Retail Park, Tottle Road Nottingham	P076	09/08/2023
LH	Travelodge Derby Road, Wollaton Vale Nottingham	P101	09/08/2023
FH	A444 Southbound, Bedworth Nuneaton	32	04/08/2023
FH	Travelodge St Nicolas Park Dr Nuneaton	P077	12/07/2023
FH	Travelodge A5/A483, Mile End Service Area Oswestry	P144	29/05/2023
FH	Travelodge Moto Service Area, Peartree Roundabout, Woodstock Road Oxford	P078	14/06/2023
FH	Travelodge London Road, Wheatley Oxford	P079	14/06/2023

Tenure	Property Address	Property reference	Date of Inspection
LH	Travelodge Crieff Road Perth	P108	03/07/2023
LH	Travelodge Crowlands Road, Eye Green Peterborough	P080	07/07/2023
FH	Travelodge A1 Southbound, Alwalton Peterborough	P145	07/07/2023
FH	Jurys Inn 50 Exeter Street Plymouth	61	23/05/2023
LH	Travelodge Derriford Road, Derriford Plymouth	P092	11/07/2023
LH	Travelodge Tavistock Road, Roborough Plymouth	P093	11/07/2023
FH	Travelodge Moto Service Area, Ferrybridge, A1/M62 Junction Pontefract	P146	23/10/2023
FH	Premier Inn Porthmadog	141-2	14/06/2023
LH	Travelodge 472 Preston Rd, Clayton-le-Woods, Chorley Preston	P147	01/12/2023
LH	Travelodge 387 Basingstoke Rd, Whitley Reading	P081	06/06/2023
LH	Travelodge Moto Service Area, M4 Motorway, Burghfield M4 Eastbound Reading	P149	06/06/2023
FH	Travelodge Moto Service Area, M4 Motorway, Burghfield M4 Westbound Reading	P150	06/06/2023
FH	Travelodge 60 Oxford Road Reading Central	P148	11/09/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Travelodge A1 Northbound, Markham Moor Retford	P082	04/08/2023
LH	Premier Inn Romford 25-29 Market Place Romford	137	19/10/2023
FH	Travelodge Western Springs Rd Rugeley	P083	12/07/2023
FH	Travelodge Callington Rd Saltash	P084	11/07/2023
FH	Travelodge, Discovery Park Sandwich	135	29/05/2023
LH	Travelodge A5 / A49 Roundabout, Bayston Hill Services Shrewsbury	P085	29/05/2023
FH	Travelodge 144 Lodge Road Southampton	P086	06/06/2023
FH	Travelodge Ham Farm, Twyford Road, Eastleigh Southampton	P151	06/06/2023
LH	Travelodge Moto Service Area, M6 Motorway Northbound, Eccleshall Road, Stafford	P152	03/08/2023
LH	Travelodge Moto Service Area, Pirnhall Stirling	P153	07/06/2023
LH	Travelodge Longton Road Stoke on Trent	P102	03/08/2023
FH	Travelodge Newcastle Road, Talke Stoke-on-Trent	P154	30/10/2023
LH	Travelodge Eastington, Nr. Stroud Stonehouse	P155	01/12/2023

Tenure	Property Address	Property reference	Date of Inspection
LH	Travelodge Oversley Mill, Alcester Stratford	P156	03/08/2023
LH	Travelodge Moto Service Area, M4 Motorway, Penllergaer Swansea	P157	30/06/2023
FH	Travelodge Swindon Barnfield Close Swindon	9	23/05/2023
FH	Travelodge Whitchurch Dr Telford	P158	17/06/2023
FH	Travelodge Sampford Peverell Service Area, M5 Motorway, Sampford Peverel Tiverton	P087	08/07/2023
FH	Travelodge A43 Towcester Bypass Towcester	P159	12/07/2023
FH	Travelodge A36/A350 Bypass, Service Area, Bath Rd Warminster	P088	07/07/2023
FH	Travelodge Kendrick St Warrington	P089	03/08/2023
LH	Travelodge Newton Road, Lowton Warrington	P105	09/08/2023
LH	Premier Inn Whitley Bay Spanish City Promenade Whitley Bay	13	21/11/2023
FH	Travelodge Fiddlers Ferry Rd Widnes	P160	07/07/2023
FH	Travelodge Moto Service Area, M6 Motorway, Essington Wolverhampton	P115	07/07/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Travelodge Workington William Street Workington	119	19/10/2023
FH	Premier Inn Worksop	139	26/08/2023
FH	Travelodge St Annes Dr Worksop	P090	26/07/2023
FH	Travelodge A303 Roundabout, Podimore Services Yeovil	P091	07/07/2023
LH	Travelodge Hull Road York	P107	10/06/2023
FH	Travelodge A64 Eastbound, Bilbrough, Steeton York	P161	21/11/2023
LH	Apple Mews 1 95 Cathedral Road Armagh	16	24/11/2023
LH	Apple Mews 2 95 Cathedral Road Armagh	25	24/11/2023
FH	Ramsay Yorkshire Clinic Bradford Road Bingley	P030	02/08/2023
FH	12 Oakfield Road Birmingham	AL46	20/12/2023
FH	Sutton House Dick Lane Bradford	AL2	08/12/2023
FH	31 Druid Stoke Avenue Bristol	57	21/12/2023
FH	Ramsay Springfield Hospital Lawn Lane Chelmsford	P027	07/09/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	213 Harwich Road Colchester	AL48	02/01/2023
FH	Ramsay Oaks Hospital Oaks Place, 120 Mile End Road Colchester	P024	07/09/2023
FH	Jacame Bath Road Eastington	AL4	21/12/2023
FH	26 Ambleside Crescent Enfield	AL51	06/01/2023
FH	Ramsay West Midlands Hospital Colman Hill Halesowen	P028	10/07/2023
FH	Ramsay Pinehill Hospitals Benslow Lane Hitchin	P025	28/04/2023
FH	20 Mount Vernon Hull	AL36	07/12/2023
FH	Ramsay Woodland Hospital Rothwell Road Kettering	P029	05/09/2023
FH	18C Rosebery Avenue Kings Lynn	AL13	13/12/2023
FH	20 Checker Street Kings Lynn	AL14	13/12/2023
LH	25 Wootton Road Kings Lynn	AL10	13/12/2023
FH	63 Kensington Road Kings Lynn	AL12	12/12/2023
FH	78 Wootton Road Kings Lynn	AL11	13/12/2023
FH	Atkinson Court Care Home Ings Road Cross Green Leeds	7	08/12/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Florence Nightingale Hospital 11-19 Lisson Grove London	P031	25/07/2023
FH	Edenmore Care Home 646 Shore Road Newtownabbey	17	24/11/2023
FH	37 Manor Road Pawlett	AL30	21/12/2023
FH	Ramsay Fitzwilliam Hospital Milton Way, South Bretton Peterborough	P021	03/08/2023
FH	Ramsay Fulwood Hospital Midgery Lane, Fulwood Preston	P022	17/08/2023
FH	85 Holmesdale Road Reigate	AL32	12/12/2023
FH	Ramsay Oaklands Hospital 19 Lancaster Road Salford	P023	17/08/2023
FH	Ramsay Rivers Hospital (includes Gardens High Wych Road Sawbridgeworth	P026	24/06/2023
FH	Prime Life Phoenix Phoenix Park Care Village, Phoenix Avenue Scunthorpe	21	07/11/2023
FH	The Priory Care Home 1 Shelley Crescent, Monkspath, Shirley Solihull	128	20/12/2023
FH	3 Farm Way Southwick	AL38	12/12/2023
FH	Ramsay Duchy Hospital Pentenvinnie Lane Truro	P020	16/06/2023
FH	43 Grosvenor Road Watford	AL60	06/01/2023
FH	77 Queens Road Watford	AL56	06/01/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	77A Queens Road Watford	AL57	06/01/2023
FH	79 Queens Road Watford	AL59	06/01/2023
FH	79A Queens Road Watford	AL58	06/01/2023
FH	13 Grove Park Road Weston-super-Mare	AL40	21/12/2023
FH	17 Ashfield Road Shipley Bradford	185	08/12/2023
FH	Woodlands Park Drive Apperley Bridge Bradford	184	08/12/2023
FH	73-75 Birchwood Road Brislington Bristol	186	20/12/2023
FH	116 Fairfield Road Widnes Cheshire	187	26/09/2023
FH	Smith House Stanney Lane Chester Cheshire	188	26/09/2023
FH	124 Hadfield Road Derbyshire	189	26/09/2023
FH	65 Bawtry Road Bessacarr Doncaster	190	07/12/2023
FH	70 High Street Hatfield Doncaster	191	07/12/2023
FH	Abbotsford House 15 Kent Road Harrogate	192	28/12/2023
FH	116 Sharoe Green Lane Fulwood Preston Lancashire	195	29/09/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	119 Heapey Road Chorley Lancashire	194	26/09/2023
FH	Longsands Lane Preston Lancashire	193	29/09/2023
FH	437 Street Lane Leeds	199	28/12/2023
FH	469 Otley Road Adel Leeds	197	28/12/2023
FH	48 Nursery Lane Alwoodley Leeds	198	28/12/2023
FH	60 North Park Avenue Leeds	196	28/12/2023
FH	68 Leigh Road Atherton Manchester	200	19/12/2023
FH	1 Hartwith Way Harrogate North Yorkshire	201	28/09/2023
FH	83 Broad Road Sale	202	19/12/2023
FH	63a Scarisbrick New Road Southport	203	19/12/2023
FH	3 Simplemarsh Road Addlestone Surrey	234	15/12/2023
FH	Cross Road, Idle Bradford West Yorkshire	204	18/09/2023
FH	20 Kingsmead Road North Prenton Wirral	205	19/12/2023
FH	97 Eleanor Road Bidston Wirral	206	19/12/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Alton Towers Hotel Wootton Lane Alton	P032	01/09/2023
FH	Alton Towers Park Wootton Lane Alton	P033	01/09/2023
FH	Thorpe Park Egham	P035	14/07/2023
FH	Thorpe Park Hotel Site Egham	P036	14/07/2023
FH	Warwick Castle Warwick	P034	28/12/2023
LH	Manchester Arena Manchester	P019	03/05/2023
LH	Barry Penny Lane Barry	40	15/12/2023
LH	Squires Gate Blackpool	52	12/12/2023
LH	Norman Road Bradford	210	29/09/2023
LH	Buntsford Park Road Bromsgrove	211	10/07/2023
LH	Canvey Island Northwich Road Canvey Island	42	19/10/2023
LH	Sports Village Cardiff	47	15/12/2023
LH	Parc Pensam Carmathan	43	15/12/2023
LH	1 Afton Way Dundee	138	06/12/2023
LH	Ferry Road 102 Pilton Drive, Edinburgh	243	06/12/2023
LH	Queen Katherines Avenue Kendal	233	12/12/2023

Tenure	Property Address	Property reference	Date of Inspection
LH	Goose Street Newcastle Under Lyme	46	06/12/2023
LH	Kettering Road Northampton	48	19/05/2023
LH	Victoria Parkway Nottingham	99	06/12/2023
LH	Smithfield Park Oswestry	212	10/12/2023
LH	Lincoln Road Peterborough	49	14/11/2023
LH	Riversway Preston	50	14/05/2023
LH	Warwick Highway Redditch	45	20/12/2023
LH	Lakeside Parkway Scunthorpe	213	04/09/2023
LH	Teeside Retail Park Newmarket Avenue Thornby Stockton-on-Tees	214	15/10/2023
LH	Ridgway Drive Stoke	51	06/12/2023
LH	Wallows Lane Walsall	215	10/07/2023
LH	Lysander Road Yeovil	216	13/12/2023
FH	Co-op Service Station Aston Worksop Road Aston	207	14/06/2023
FH	Aldi Berwick Upon Tweed Berwick Upon Tweed	142	11/12/2023
FH	Co-op Bicester Bure Park Bicester	171	28/12/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Co-op Blackpool Thornton Centre Blackpool	156	12/12/2023
FH	Aldi, Scott Works Clayton Road Bradford	11	09/09/2023
FH	Bradford Victoria Shopping Centre Bradford	160	09/09/2023
FH	Currock Road Carlisle	63	30/12/2023
LH	Asda - Clydebank 31 Britannia Way Clydebank	170	12/12/2023
FH	Co-op Coalville 99a Midland Road, Ellistown Coalville	173	10/07/2023
FH	North End Retail Park High Street Cowdenbeath	29	06/12/2023
FH	Lidl East Ham The Brickyard, High Street / Barking Road East Ham	175	19/10/2023
FH	St Hilary Retail Park Basildon Essex	231	19/10/2023
FH	Sinclair Retail Park Evesham	38	20/12/2023
FH	Co-op Glasgow 63 Cumbernauld Road Glasgow	143	12/12/2023
FH	Junction 24 Retail Park Helen Street Glasgow	1511	12/12/2023
FH	Asda Halesown Halesown	230	10/07/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Newbottle Street Retail Park Newbottle Street Houghton Le Spring	241	18/03/2023
FH	M&S Largs	244	12/12/2023
FH	Co-op Hornscastle Lincolnshire	242	06/12/2023
FH	New Berwyn Works Berwyn Road Llangollen	178	15/12/2023
FH	Tesco Welling Welling High St London	174	27/07/2023
LH	Aldi Clifton Drive North Lytham St Annes	140	13/12/2023
FH	Sainsburys Gateway Retail Park, Cargo Fleet Road Middlehaven Middlesborough	180	12/12/2023
FH	Co-op Service Station New Cottsey Wayside Service Station Dereham Road Norwich	208	18/12/2023
FH	Co-op Pontypridd Penrhiwfer Rd Pontypridd	144	04/05/2023
FH	Lidl Portsmouth 73 London Rd Cosham Portsmouth	150	03/05/2023
FH	Co-op Sandbach Lawton Way Elworth Sandbach	145	08/07/2023
FH	Co-op Southport Station Rd Ainsdale Southport	149	25/02/2023
FH	Waitrose Poynton 89 Park Lane Poynton Stockport	151	08/07/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Co-op Swindon Taw Hill Village Centre Swindon	172	13/12/2023
FH	Co-op Wallasey 83-85 Wallasey Village Wallasey	146	08/07/2023
FH	Co-op Service Station Washington Washington	209	18/12/2023
FH	Lidl West Bridgford West Bridgford	152	06/12/2023
FH	Sainsbury's Dog Lane Bewdley Worcestershire	217	10/07/2023
FH	Co-op Wrexham Borras Park Rd Wrexham	147	15/12/2023
FH	Dobbies Garden Centre Haresfield Gloucester	179	13/12/2023
FH	Dobbies Garden Centre Pennine Shelley Huddersfield	114	22/12/2023
FH	Dobbies Garden Centre Morpeth Heighley Gate Morpeth	64	05/08/2023
FH	Dobbies Reading Hyde End Road, Shinfield, Reading	240	13/12/2023
FH	York Biotech Campus York	183	06/12/2023
FH	Yates's 36 Bradshawgate Bolton	P010	26/12/2023
FH	The Calder Huddersfield Road Brighouse	P013	23/04/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Griffin Inn 184 Warrington Road Cheshire	104	23/11/2023
FH	Shrewsbury Arms 38 Cloughton Firs Prenton Cheshire	105	23/11/2023
FH	Unicorn Adlington Road Cheshire	106	07/08/2023
FH	Brinkburn Lady Kathryn Grove County Durham	108	27/12/2023
FH	The Blagdon Arms Village Square Cramlington	P016	04/08/2023
FH	The Grey Horse Front Street East Boldon	P015	04/08/2023
FH	Slug and Lettuce 9-11 East Street Farnham	P003	25/04/2023
FH	The Abbey 53 Northgate Street Gloucester	P005	13/12/2023
FH	Spread Eagle Hotel Hatherlow	116	26/12/2023
FH	Slug and Lettuce 40-44 King Street Huddersfield	P012	23/04/2023
FH	The Exchequer 60-64 High Street Kirkcaldy	P017	26/12/2023
FH	Old Leyland Gates Golden Hill Lane Leyland	102	26/12/2023
FH	The William Foster Guildhall Street Lincoln	P008	06/12/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	The William Gladstone 18-20 North John Street Liverpool	P009	27/04/2023
FH	The Brewery 52 Chiswell St London	P018	27/04/2023
FH	The Occassional Half 66 - 77 Green Lanes London	P004	25/04/2023
FH	The Blue Bell Hotel Acklam Road Middlesbrough	P014	18/12/2023
FH	Norman Conquest Flatts Lane Middlesbrough	109	27/12/2023
FH	Britannia Bradwell Lane Newcastle Under Lyne	112	06/12/2023
FH	County Hotel High Street Newcastle Upon Tyne	110	27/12/2023
FH	Duke of Wellington Kenton Lane Newcastle Upon Tyne	111	27/12/2023
FH	Faradays 44 Pelham Street Nottingham	P007	06/12/2023
FH	Yates's 144-146 Church Street Preston	P011	26/12/2023
FH	The Bedford Arms 23 Bedford Place Southampton	P002	25/04/2023
FH	The Scarlet Tap 80-82 Palmerston Road Southsea	P001	25/04/2023

Tenure	Property Address	Property reference	Date of Inspection
FH	Bulls Head 341 London Road Stockport	103	26/12/2023
FH	The Bridgewater 23 Barton Road Wardley	107	26/12/2023
FH	Church View Inn 38 Lunts Heath Road Widnes	117	23/11/2023
FH	Hog's Head 186 Stafford Street Wolverhampton	P006	10/07/2023
FH	Pear and Partridge The Parkway Wolverhampton	113	10/07/2023
FH	Heide Park Soltau Germany	P038	26/06/2023
FH	Heide Park Hotel Soltau Germany	P037	26/06/2023

PART 14

ADDITIONAL INFORMATION

1. PERSONS RESPONSIBLE

- 1.1 LondonMetric and each of the Directors and the Proposed Director, whose names are set out on page 31 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Director, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.
- 1.2 LondonMetric and each of the Directors, whose names are set out on page 31 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INFORMATION ABOUT LONDONMETRIC

- 2.1 LondonMetric was incorporated in England and Wales on 13 January 2010 under the Companies Act as a public limited company with registered number 07124797. The Company's Legal Entity Identifier is 213800OCERWWPQDURL87.
- 2.2 On 24 June 2010, LondonMetric was issued with a certificate under section 761 of the Companies Act entitling it to carry on business and borrow money.
- 2.3 The Company was admitted to the Official List and to trading on the Main Market on 1 October 2010.
- 2.4 The principal activities of the LondonMetric Group are real estate investment and development.
- 2.5 The Company merged with Metric Property Investments plc by way of a scheme of arrangement under Part 26 of the Companies Act on 25 January 2013. The Company subsequently merged with A&J Mucklow Group plc by way of a scheme of arrangement under Part 26 of the Companies Act on 27 June 2019. The Company acquired CT Property Trust Limited by way of a scheme of arrangement under Part VIII of the Companies (Guernsey) Law, 2008 (as amended) on 7 August 2023.
- 2.6 LondonMetric is domiciled in the United Kingdom. The principal legislation under which LondonMetric operates and under which the Ordinary Shares have been created is the Companies Act. However, as a company with its shares admitted to the premium listing segment of the Official List and to trading on the Main Market, LondonMetric is subject to, inter alia, the Listing Rules, the Prospectus Regulation, the Prospectus Regulation Rules, the UK Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the Code and to the rules of the London Stock Exchange.
- 2.7 LondonMetric's registered office and principal place of business is at 1 Curzon Street, London W1J 5HB.
- 2.8 LondonMetric's website address is <https://www.londonmetric.com>. Information on the Company's website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.
- 2.9 LondonMetric's telephone number is +44 (0) 20 7484 9000.

3. SHARE CAPITAL OF LONDONMETRIC

- 3.1 As at the Latest Practicable Date, the issued and fully paid share capital of LondonMetric is as shown below. The issued and fully paid share capital of LondonMetric as it is expected to be immediately following completion of the Merger and the Proposals is also shown:

	Ordinary Shares	
	Nominal value (£)	Number
At present	109,355,936.8	1,093,559,368
Following the Proposals	203,651,964.7	2,036,519,647

The number of issued and fully paid share capital of LondonMetric assumes that no further LondonMetric Ordinary Shares or LXI Ordinary Shares will be issued between the date of publication of this document and completion of the Merger.

- 3.2 The Ordinary Shares are denominated in pounds sterling and have nominal value 10 pence each.
- 3.3 The Ordinary Shares are in registered form with ISIN GB00B4WFW713.
- 3.4 As at 2 February 2024, LondonMetric holds no Ordinary Shares as treasury shares.
- 3.5 There are no Ordinary Shares held by or on behalf of LondonMetric itself or by any of the subsidiaries of LondonMetric.
- 3.6 The Existing Ordinary Shares are listed in the premium segment of the Official List and are admitted to trading on the Main Market. The Existing Ordinary Shares are not admitted to trading on any other regulated market.
- 3.7 LondonMetric has not issued any convertible securities, exchangeable securities or securities with warrants.
- 3.8 There are no acquisition rights or obligations over authorised but unissued share capital or undertakings to increase the capital of LondonMetric.
- 3.9 Subject to the Merger becoming Effective, up to 942,960,279 New Ordinary Shares will be issued and this will result in LondonMetric's issued share capital increasing by approximately 86 per cent. If the Merger becomes Effective, Shareholders will suffer an immediate dilution as a result of the Merger following which they will hold approximately 54 per cent. of the Enlarged Share Capital. Assuming that the maximum number of New Ordinary Shares are issued to LXI Shareholders, each LondonMetric Shareholder will be diluted by up to approximately 46 per cent.

4. SHARE CAPITAL AUTHORITIES OF LONDONMETRIC

4.1 **Existing shareholder authorities**

At a general meeting of LondonMetric held on 12 July 2023 the following resolutions were passed (the "**Existing LondonMetric Shareholder Authorities**"):

- "15. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "2006 Act"), in substitution for all existing authorities:
- a. to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together 'Relevant Securities') up to an aggregate nominal amount of £32,765,615 (such amount to be reduced by the nominal amount of any equity securities (within the meaning of Section 560 of the 2006 Act) allotted under paragraph 15b below in excess of £32,765,615); and
 - b. to exercise all the powers of the Company to allot equity securities (within the meaning of Section 560 of the 2006 Act) up to a maximum aggregate nominal amount of £65,531,230 (such amount to be reduced by any Relevant Securities allotted or granted under paragraph 15a above) provided that this authority may only be used in connection with a

rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record date as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in paragraphs 15a and 15b shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution (or, if earlier, on the date which is 15 months after the date of this annual general meeting), except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted (and treasury shares to be sold) after such expiry and the Directors may allot Relevant Securities or equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority in question had not expired”;

“17. That the Directors be and are empowered, in accordance with Sections 570 and 573 of the 2006 Act, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution 15 or by way of a sale of treasury shares as if Section 561(1) of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:

- a. the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities made to (but in the case of the authority conferred by paragraph 15b of resolution 15 above, by way of a rights issue only):
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or, if the Directors otherwise consider necessary, as permitted by the rights of those securities and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter
- b. the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 17a above) up to an aggregate nominal amount of £9,829,684,

provided that this power shall expire at the conclusion of the next annual general meeting of the Company (or, if earlier, on the date which is 15 months after the date of this annual general meeting) but prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired”;

“18. That the Directors be and are empowered, in addition to any authority granted under resolution 17, to allot equity securities (as defined in Section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution 15 or by way of a sale of treasury shares as if Section 561(1) of the 2006 Act did not apply to any such allotment or sale, such power to be:

- a. limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £ 9,829,684; and
- b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

provided that this power shall expire at the end of the next annual general meeting of the Company (or, if earlier, on the date which is 15 months after the date of this annual general

meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority in question had not expired"; and

"19. That the Company be and is hereby generally and unconditionally authorised, in accordance with Section 701 of the 2006 Act, to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") on such terms and in such manner as the Directors may from time to time determine provided that:

- a. the maximum aggregate number of ordinary shares authorised to be purchased is 98,296,840;
- b. the minimum price which may be paid for an ordinary share is 10p being the nominal amount thereof (exclusive of expenses payable by the Company);
- c. the maximum price which may be paid for an ordinary share (exclusive of expenses payable by the Company) cannot be more than the higher of:
 - (i) 105 per cent. of the average market value of an ordinary share as derived from the London Stock Exchange's Daily Official List for the five business days prior to the day on which the ordinary share is contracted to be purchased; and
 - (ii) the value of an ordinary share calculated on the basis of the higher of:
 - (A) the last independent trade of; or
 - (B) the highest current independent bid for,

any number of ordinary shares on the trading venue where the market purchase by the Company will be carried out; and

the authority conferred shall expire at the conclusion of the next annual general meeting of the Company (or, if earlier, on the date which is 15 months after the date of this annual general meeting) except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry and the Company may purchase its ordinary shares pursuant to such contract as if this authority had not expired".

4.2 ***Proposed shareholder authorities in connection with the Merger***

The Company has convened the LondonMetric General Meeting at which the Directors are seeking authority from Shareholders, *inter alia*, to issue up to 942,960,279 New Ordinary Shares to Shareholders pursuant to the Merger. Details of the Resolution are set out in the Notice of General Meeting in Part 16 of this document and are as follows:

"THAT:

- (A) the proposed acquisition (which is a reverse takeover transaction for the purposes of the listing rules and regulations made by the Financial Conduct Authority (the "FCA") under the Financial Services and Markets Act 2000 and contained in the FCA's publication of the same name as amended from time to time (the "Listing Rules")) by the Company of the entire ordinary share capital of LXi REIT plc in order to effect a merger between the Company and LXi REIT plc (the "Merger"), pursuant to a scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme") (or by way of a takeover offer as defined in section 974 of the Companies Act 2006 ("Takeover Offer"), on the terms and subject to the conditions described in the combined prospectus and circular sent to shareholders in the Company on 6 February 2024, of which this Notice of General Meeting forms part (the "Prospectus"), a copy of which is produced to the meeting, be and is hereby approved, including for the purposes of Chapter 10 of the Listing Rules, and the directors of the Company (or any duly constituted committee thereof) (the "Board" or the "Directors") be and are authorised to: (1) take all such steps as the Board considers to be necessary or desirable in connection with, and to implement, the Merger (including, without limitation, approving and entering into any associated or ancillary agreements in connection with the Merger on behalf of the Company); and (2) agree such modifications, variations, revisions, waivers, extensions or amendments to any of the terms and conditions of the Merger, and any

associated and ancillary agreements, deemed necessary or desirable by the Board (provided such modifications, variations, revisions, waivers, extensions or amendments do not materially change the terms of the Merger for the purposes of Listing Rule 10.5.2), as they may in their absolute discretion think fit; and

(B) subject to and conditional upon:

(1) the Scheme becoming effective in accordance with its terms, except for the conditions relating to: (a) the delivery of the order of the High Court of Justice, Business and Property Courts of England and Wales, Companies Court sanctioning the Scheme to the Registrar of Companies; and (b) the FCA having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the application for the admission of new ordinary shares of 10 pence each in the capital of the Company (the "New Ordinary Shares") to be issued pursuant to the Scheme (or, as the case may be, the Takeover Offer) to listing on the premium listing segment of the Official List maintained by the FCA has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (the "listing conditions")) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied and London Stock Exchange plc having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the New Ordinary Shares (defined below) will be admitted to trading on the main market of London Stock Exchange plc ("Admission"); or, as the case may be,

(2) the Takeover Offer becoming or being declared wholly unconditional (except for Admission),

the Directors be and hereby are generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (in addition, to the extent unutilised, to the authority granted to the Directors at the Company's annual general meeting held on 12 July 2023 which remains in full force and effect) to exercise all the powers of the Company to allot the New Ordinary Shares and grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal amount of £94,296,028, in each case, credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Merger, and which authority shall expire at the close of business on 11 July 2024 (unless previously revoked, renewed or varied by the Company in general meeting), save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired."

4.3 The Directors have no present intention to allot shares, other than in relation to the Merger and in connection with legally binding obligations to do so such as the Company's scrip dividend scheme and LondonMetric LTIP.

5. ORGANISATIONAL STRUCTURE, SUBSIDIARY UNDERTAKINGS AND OTHER HOLDINGS

5.1 LondonMetric is the ultimate holding company of the LondonMetric Group. The following table shows details of LondonMetric's significant subsidiaries and undertakings as at the Latest Practicable Date. The issued share capital of each of these companies is fully paid.

	<i>Country of incorporation or registration</i>	<i>Proportion of voting rights held (by way of share capital or units or partnership interest held)</i>	<i>Nature of business</i>
A & J Mucklow & Co Limited ¹	England	100%	Property trading
A & J Mucklow (Halesowen) Limited ¹	England	100%	Property investment
A & J Mucklow (Investments) Limited ¹	England	100%	Property investment
A & J Mucklow (Nominees) Limited ¹	England	100%	Administrative company
A & J Mucklow (Properties) Limited ¹	England	100%	Property investment
A & J Mucklow Group Limited	England	100%	Intermediate holding company
IPT Property Holdings Limited ¹	Guernsey	100%	Property investment
IRP Holdings Limited ¹	Guernsey	100%	Property investment
L&S Highbury Limited	Guernsey	100%	Property investment
LMP Bell Farm Limited	Guernsey	100%	Property investment
LMP Bude Limited	Guernsey	100%	Intermediate holding company
LMP Burton & Evesham Limited	Jersey	100%	Property investment
LMP Dagenham Limited	Guernsey	100%	Property investment
LMP Green Park Cinemas Limited	Guernsey	100%	Property investment
LMP Omega II Limited	Guernsey	100%	Property investment
LMP Retail Warehouse JV Holdings Limited ²	Guernsey	100%	Property investment
LMP Steel LP ¹	England	100%	Property investment
LMP Steel GP LLP	England	100%	Limited partner
LMP Steel Property Unit Trust	Jersey	100%	Intermediate holding entity
LMP Thrapston Limited	Guernsey	100%	Property investment
LondonMetric Bognor Regis Limited	England	100%	Property investment
LondonMetric Crawley Limited	England	100%	Property investment
LondonMetric Development Limited	England	100%	Property investment
LondonMetric Distribution Limited	England	100%	Property investment
LondonMetric Droitwich Limited	England	100%	Property investment
LondonMetric DT Limited	England	100%	Property investment
LondonMetric Leisure Limited	England	100%	Property investment
LondonMetric Logistics Limited	England	100%	Property investment
LondonMetric Management Limited	Guernsey	100%	Management company
LondonMetric Milton Keynes Limited	England	100%	Property investment
LondonMetric Retail Distribution I Limited	England	100%	Property investment
LondonMetric Retail Distribution II Limited	England	100%	Property investment
LondonMetric Retail Limited	England	100%	Property investment
LondonMetric Saturn Limited	England	100%	Property investment
LondonMetric Swindon Limited	England	100%	Property investment
LondonMetric Unitholder 2 Limited	England	100%	Unitholder
LondonMetric Urban Limited	England	100%	Property investment
LSI (Investments) Limited	England	100%	Property investment
MCL Omega PropCo Limited	England	100%	Property investment
Metric GP Income Plus Limited ¹	England	50%	Intermediate holding company
Metric Income Plus Limited Partnership ¹	England	50%	Property investment
Metric Income Plus Nominees Limited ¹	England	50%	Administrative company
Metric LP Income Plus Limited ¹	England	100%	Intermediate holding company
Metric Property Coventry Limited	England	100%	Property investment
Metric Property Finance 1 Limited	England	100%	Intermediate holding company
Metric Property Investments Limited	England	100%	Intermediate holding company
Penbrick Limited ¹	England	100%	Property investment

1 Undertakings held indirectly by the Company.

2 The Company holds 100 per cent. of the voting rights and 69.14 per cent. of the beneficial interest in the share capital.

- 5.2 Save for the significant subsidiaries and holdings disclosed in paragraph 5.1 above, LondonMetric does not hold any capital in any other undertakings that have a significant effect on the assessment of LondonMetric's assets and liabilities, financial position or profits and losses.

6. SUMMARY OF RIGHTS OF ORDINARY SHARES

- 6.1 The Ordinary Shares rank equally in all respects, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.
- 6.2 The Ordinary Shares carry the right to receive notice of, attend and vote at general meetings of the Company.
- 6.3 On a winding-up or a return of capital by the Company, the net assets of the Company shall be divided *pro rata* among the holders of the Ordinary Shares.
- 6.4 The consent of the holders of the Ordinary Shares will be required for the variation of any rights attached to the Ordinary Shares.
- 6.5 The Ordinary Shares are not redeemable.

7. ARTICLES OF ASSOCIATION

7.1 *The Articles contain the following provisions (amongst others):*

7.1.1 *Votes of members*

- (a) Subject to any special terms as to voting attached to any share, on a show of hands every member who is present in person and entitled to vote has one vote and on a poll every member who is present in person or by proxy and entitled to vote has one vote for every share of which he is the holder.
- (b) No member is entitled to be present or to be counted in the quorum or vote, either in person or by proxy, at any general meeting or at any separate meeting of the holders of any class of shares in LondonMetric either personally or by proxy or to exercise any privilege as a member in relation to the meeting or poll, unless all calls or other sums due and payable by him in respect of the shares in LondonMetric have been paid.
- (c) Any person (whether a member or not) may be appointed to act as a proxy and a member may appoint one or more than one person to act as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of LondonMetric. On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

7.1.2 *Dividends*

- (a) Subject to the Statutes and the Articles, LondonMetric may by ordinary resolution declare a dividend to be paid to members according to their respective rights and interests. No dividend shall exceed the amount recommended by the Board.
- (b) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid-up on the shares in respect of which the dividend is paid. All dividends shall be apportioned and paid *pro rata* according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (c) The directors may in their absolute discretion declare and pay to the members such interim dividends as appear to the directors to be justified by the profits of LondonMetric and LondonMetric's financial and trading position. If the share capital of LondonMetric is divided into different classes, the directors may pay interim dividends in respect of those shares which rank after shares conferring preferred rights, unless at the time of payment a preferential dividend is in arrears.

- (d) The Board may, if authorised by an ordinary resolution of LondonMetric, offer any holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the Ordinary Shares.
- (e) All dividends or other sums payable on or in respect of any share which remain unclaimed for a period of 12 years or more from the date it became due for payment shall be forfeited and shall revert to LondonMetric.

7.1.3 *Sanctions for failure to disclose interest in shares*

- (a) If a notice is served by LondonMetric under Section 793 of the Companies Act (a “**Section 793 notice**”) on a member, or another person whom LondonMetric knows or has reasonable cause to believe to be interested in shares held by that member, and the member or other person has failed in relation to the shares (the “**default shares**”) to give LondonMetric the information required within 14 days, the Board may serve on the holder of such default shares a notice (a “disenfranchisement notice”) whereupon the following sanctions apply, unless the Board decides otherwise:
 - (b) the member is not entitled in respect of the default shares to be present or to vote at a general meeting or separate class meeting or on a poll or to exercise other rights in relation to the meeting or poll; and
 - (c) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:
 - (i) a dividend or other amount payable in respect of the default shares shall be withheld by LondonMetric, which has no obligation to pay interest on it, and the member cannot elect to receive shares instead of a dividend; and
 - (ii) no transfer of any of the default shares shall be registered unless:
 - (A) the transfer is an expected transfer; or
 - (B) the member is not himself in default in supplying the information required and proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer; or
 - (C) registration of the transfer is required by the CREST Regulations.

7.1.4 *Distribution of assets on a winding-up*

If LondonMetric shall be wound up voluntarily, the liquidator may, with the authority of a special resolution and any sanction required by law, divide among the members in kind the whole or any part of the assets of LondonMetric whether or not the assets consist of property of one kind or of different kinds and may for such purpose set such value as he deems fair on any class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the same authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares in respect of which there is a liability or potential liability.

7.1.5 *Changes in capital*

- (a) LondonMetric may by ordinary resolution:
 - (i) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; and
 - (ii) sub-divide all or any of its shares into shares of a smaller amount and may by the resolution determine that the shares resulting from such sub-division may have any preferred or other special rights or be subject to any such restrictions, as compared with the others.
- (b) Subject to the provisions of the Companies Act, LondonMetric has power to purchase its own shares, including any redeemable shares.

7.1.6 *Variation of class rights and class meetings*

- (a) Subject to provisions of the Companies Act, the rights attached to any class of shares may be modified, varied or abrogated:
 - (i) in such manner (if any) as may be provided by those rights; or
 - (ii) in the absence of any such provision, either with the consent in writing of the holders of at least three quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of that class but not otherwise.
- (b) The rights attached to any class of shares are not, unless expressly provided by the Articles or in the rights attaching to the shares of that class, deemed to be modified, varied or abrogated by the creation or issue of further shares ranking equally with every other share of that class.
- (c) A separate meeting for the holders of a class of shares shall be convened and conducted as nearly as possible in the same way as a general meeting except that the necessary quorum (other than at an adjourned meeting) is two persons, present in person or by proxy, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and, at an adjourned meeting, one person holding shares of the class in question present in person or by proxy and any holder of shares of the class in question present in person or by proxy and entitled to vote at the meeting may demand a poll.

7.1.7 *General meetings*

- (a) LondonMetric shall in each year hold a general meeting as its annual general meeting (in addition to any other meetings which may be held in that year). Subject as aforesaid and to the provisions of the Statutes, the annual general meeting shall be held at such time and place as the directors may determine.
- (b) The directors may convene a general meeting whenever they think fit and must on requisition in accordance with the Statutes convene a general meeting, as provided by the Statutes.
- (c) Annual general meetings and all other general meetings of LondonMetric shall be called by at least such minimum period of notice as is prescribed for traded companies under the Companies Act.
- (d) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Two persons entitled to vote, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.
- (e) The Board may make arrangements and impose restrictions it considers appropriate to ensure the security of a meeting, including, without limitation, the searching of a person attending the meeting and the restriction of the items of personal property that may be taken into the meeting place. The Board is entitled to refuse entry to a meeting to a person who refuses to comply with these arrangements or restrictions.

7.1.8 *Transfer of shares*

- (a) Subject to the Articles, any member may transfer all or any of his certificated shares by instrument of transfer in any usual form or in such other form as the directors may approve and the instrument must be executed by or on behalf of the transferor and by or on behalf of the transferee but need not be under seal. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.
- (b) The Board may decline to recognise any instrument or transfer unless it is:
 - (i) in respect of only one class of shares;
 - (ii) in favour of not more than four joint transferees;

- (iii) duly stamped (if required);
 - (iv) not in favour of a minor, infant, bankrupt or person with mental disorder; and
 - (v) lodged at the registered office of LondonMetric or such other place as the directors may decide, accompanied by the certificate for the shares to be transferred and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer provided that in the case of a transfer by a stock exchange nominee the lodgement of a share certificate will only be necessary if a certificate has been issued in respect of the share in question.
- (c) The Board may in their absolute discretion and without assigning any reason refuse to register any transfer of a certificated share which is not fully paid, provided that this discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.
- (d) The Board may, in circumstances permitted by the FCA and the London Stock Exchange, disprove a transfer of any share, provided that exercise of such powers does not disturb the market in the shares.
- (e) If the Board refuse to register a transfer of any shares, they shall, within two months after the date on which the transfer was lodged with LondonMetric, send to the transferor and the transferee notice of the refusal, together with reasons for the refusal. The directors shall send to the transferee such further information about the reasons for the refusal as the transferee may reasonably require.

7.1.9 *Directors*

- (a) Number and appointment of directors

Unless and until otherwise determined by LondonMetric by ordinary resolution the number of directors is not subject to a maximum but must not be fewer than two.

LondonMetric may, by ordinary resolution, appoint a person who is willing to act to be a director. The directors may appoint a person who is willing to act to be a director either to fill a vacancy or as an additional director, but a director so appointed shall hold office only until the conclusion of the next annual general meeting after his appointment, unless he is reappointed during the meeting, and he shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

- (b) Executive Directors

The directors may from time to time appoint one or more of their body to be holder of any executive office for such period and on such terms for such period as they may determine.

The appointment of any director to any executive office may be terminated by the Board without prejudice to any claim he may have for damages for breach of contract. A director appointed to any executive office shall not automatically cease to be a director if he ceases from any cause to hold that executive office.

- (c) Retirement by rotation

Each director shall retire from office at the third annual general meeting after that at which he was last elected. A director who retires at an annual general meeting, shall be in addition to any director who wishes to retire and not to offer himself for reappointment and any director to retire. A director who retires at an annual general meeting, whether by rotation or otherwise, may, if willing to act, be reappointed. LondonMetric, at the meeting at which a director retires by rotation, may fill the vacated office and, if it does not do so, the retiring director is, if willing, deemed reappointed, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the reappointment of such director is put to the meeting and lost.

- (d) Fees, expenses, remuneration and benefits
- (i) There shall be available to be paid out of the funds of LondonMetric to the directors as fees in each year an aggregate sum not exceeding £1,000,000 or such higher sum as may from time to time be determined by ordinary resolution of LondonMetric. LondonMetric may by ordinary resolution increase the amount of the fees payable which shall, in default of agreement to the contrary, be divided between the directors equally.
 - (ii) The directors are entitled to be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the business of LondonMetric or in travelling to and from meetings of the Board or committees of the Board or general meetings or separate meetings of the holders of a class of shares of LondonMetric or otherwise in connection with the discharge of their duties.
 - (iii) The Board may grant reasonable additional remuneration and expenses to any director who goes or resides abroad or renders any special or extra services to LondonMetric, which may be paid by way of a lump sum, participation in profits or otherwise as the Board may determine.
 - (iv) The directors may establish and maintain a pension scheme for the benefit of any persons who are or were employees of or who have been directors of LondonMetric or of any company which is or was a member of the LondonMetric Group. Subject to the Statutes, the Board may establish and maintain any employees' share scheme for the benefit of employees (including directors) of LondonMetric.
- (e) Directors' Interests
- The directors may authorise, to the fullest extent permitted by law:
- (i) any matter which would otherwise result in a director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of LondonMetric and which may reasonably be regarded as likely to give rise to a conflict of interest; and
 - (ii) a director to accept or continue in any office, employment or position in addition to his office as a director of LondonMetric and may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises, provided that the authorisation is only effective if:
 - (A) any requirement as to the quorum at the meeting at which such matter is considered is met without counting the director in question or any other interested director; and
 - (B) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.
- (f) If a matter, or office, employment or position, has been authorised by the directors in accordance with this Article then:
- (i) the director shall not be required to disclose any confidential information relating to such matter, or such office, employment or position, to LondonMetric if to make such a disclosure would result in a breach of a duty or obligation of confidence owed by him in relation to or in connection with that matter, or that office, employment or position;
 - (ii) the director may absent himself from discussions, whether in meetings of the directors or otherwise, and exclude himself from information, which will or may relate to that matter, or that office, employment or position;
 - (iii) a director shall not, by reason of his office as a director, be accountable to LondonMetric for any benefit which he derives from any such matter, or from any such office, employment or position.

(g) Voting restrictions

- (i) A director (including an alternate director) shall not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities or right of or otherwise in or through LondonMetric. However, a director shall be entitled to vote in respect of any contract or arrangement or any other proposal in which he has any interest which is not material. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (ii) A director shall (in the absence of some other material interest) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters namely:
 - (A) the giving to him of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of LondonMetric or any of its subsidiaries;
 - (B) the giving to a third party of any security, guarantee or indemnity in respect of a debt or obligation of LondonMetric or any of its subsidiaries for which he himself has assumed responsibility, in whole or in part, by the giving of security or under a guarantee or indemnity;
 - (C) any proposal concerning an offer for subscription or purchase of shares or debentures or other securities of or by LondonMetric or any of its subsidiaries or of any other company which LondonMetric may promote or in which it may be interested in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting;
 - (D) any proposal to which LondonMetric is or is to be a party concerning any other company in which he is invested directly or indirectly and whether as an officer, creditor, employee or holder of shares, debentures, securities or rights of that other company, but where he is not the holder (otherwise than as a nominee for LondonMetric or any of its subsidiaries) of or beneficially interested in one per cent. or more of the issued shares of any class of such company or of any third company through which his interest is derived or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
 - (E) any proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefits scheme, share option scheme or share incentive scheme under which he may benefit; or
 - (F) any proposal concerning the purchase and/or maintenance of any insurance policy under which he may benefit.

(h) Powers of the Board

Subject to the Statutes and the Articles and to directions given by LondonMetric in general meeting, the business of LondonMetric shall be managed by the directors who may exercise all the powers of LondonMetric.

7.1.10 *Borrowing powers*

- (a) Subject to the Articles, the Board may exercise all the powers of LondonMetric to borrow money.
- (b) The directors shall restrict the borrowings of LondonMetric and exercise all voting and other rights or powers of control exercisable by LondonMetric in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate of the amounts remaining undischarged of all monies borrowed by the LondonMetric Group does not at any time without the previous sanction of an ordinary resolution exceed a sum equal to two times:
 - (i) the amount of the share capital of LondonMetric issued and paid up; and

- (ii) the amounts shown as standing to the credit of consolidated capital and revenue reserves of the LondonMetric Group (including share premium account, capital redemption reserve) plus or minus the credit or debit balance of the consolidated profit and loss account as shown in the latest audited consolidated balance sheet of the LondonMetric Group and in the consolidated capital and reserves of the LondonMetric Group, but
 - (A) adjusted in respect of any variations in the issued and paid up share capital, share premium account or capital redemption reserve effected or any distributions made (otherwise than within the LondonMetric Group) since the date of such balance sheets except in so far as provided for therein; and
 - (B) excluding any amounts set aside for taxation and, to the extent included, any amounts attributable to outside shareholdings in subsidiaries; and
 - (C) excluding all amounts attributable to intangible items save goodwill arising on consolidation, notwithstanding the fact that these may previously have been written off against reserves.

7.1.11 *Indemnity*

(a) Indemnity to Directors

Subject to the provisions of the Statutes, LondonMetric may:

- (i) indemnify any person who is or was a director, or a director of any associated company, directly or indirectly (including by funding any expenditure incurred or to be incurred by him), against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to LondonMetric or any associated company; and/or
- (ii) indemnify to any extent any person who is or was a director of an associated company that is a trustee of an occupational pension scheme, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any liability incurred by him in connection with LondonMetric's activities as trustee of an occupational pension scheme; and/or
- (iii) purchase and maintain insurance for any person who is or was a director, or a director of any associated company, against any loss or liability or any expenditure he may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to LondonMetric or any associated company.

For the purpose of the article described above "associated company" has the meaning set out in section 256 of the Companies Act.

(b) Indemnity against claims in respect of shares

Whenever any law for the time being of any country, state or place imposes or purports to impose any immediate or future or possible liability upon LondonMetric to make any payment or empowers any government or taxing authority or government official to require LondonMetric to make any payment in respect of any shares registered in any of LondonMetric's registers as held either jointly or solely by any member or in respect of any dividends, bonuses or other monies due or payable or accruing due or which may become due or payable to such member by LondonMetric on or in respect of any shares registered as aforesaid or for or on account or in respect of any member and whether in consequence of:

- (i) a transmission event;
- (ii) the non-payment of any income tax or other tax by such member;
- (iii) the non-payment of inheritance tax or any estate, probate, succession, death, stamp or other duty by the executors or administrators or other legal personal representatives of such member or by or out of his estate; or
- (iv) any other act or thing;

LondonMetric in every such case:

- (v) shall be fully indemnified by such member or his executors or administrators or his other legal representatives from all liability; and
- (vi) may recover as a debt due from such member or his executors or administrators or his other legal personal representatives wherever constituted or residing any monies paid by LondonMetric under or in consequence of any such law together with interest thereon at such rate (not exceeding, without the sanction of LondonMetric given by ordinary resolution, 20 per cent. per annum) as the directors may determine from the date of payment by LondonMetric to the date of repayment by the member or his executors or administrators or his other legal personal representatives.

7.1.12 UK-REIT provisions

A summary of the UK-REIT provisions included in the Articles is set out in paragraph 19 of this Part 14.

- 7.1.13 The Directors have power by notice in writing to require any Shareholder to disclose to LondonMetric the identity of any person (other than the Shareholder) who has an interest in the shares held by the Shareholder and the nature of such interest. Any such notice shall require any information in response to such notice to be given within the prescribed period which is 14 days after service of the notice. The direction notice may direct that, in respect of the Ordinary Shares in respect of which the default has occurred and any other shares held by the Shareholder, the Shareholder shall not be entitled to vote (either personally or by representative or by proxy) in general meetings or class meetings. Where the shares concerned represent at least 0.25 per cent. of their class the direction notice may additionally direct that dividends on such shares will be retained by LondonMetric (without interest), and that no transfer of the shares (other than an excepted transfer under the Articles) shall be registered until the default is rectified.

8. INTERESTS OF DIRECTORS AND THE PROPOSED DIRECTOR IN LONDONMETRIC

8.1 *Directors' interests in LondonMetric*

As at the Latest Practicable Date and, following Admission and the Merger, the interests of the Directors and the Proposed Director, and their immediate families and persons connected with the Directors (within the meaning of sections 252 to 255 of the Companies Act) (all of which are beneficial owners unless otherwise stated) in the issued share capital of LondonMetric are as follows:

	<i>As at the Latest Practicable Date</i>		<i>Interests immediately following the Merger becoming Effective*</i>	
	<i>No. of Ordinary Shares of LondonMetric</i>	<i>Percentage of issued share capital</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Directors				
Andrew Jones	5,473,411	0.50	5,473,411	0.27
Martin McGann	3,501,114	0.32	3,501,114	0.17
Alistair Elliott	80,000	0.01	80,000	0.00
Suzy Neubert	36,868	0.00	36,868	0.00
Suzanne Avery	27,050	0.00	27,050	0.00
Robert Fowlds	104,000	0.01	136,780	0.01
Andrew Livingston	106,830	0.01	106,830	0.01
Kitty Patmore	5,000	0.00	5,000	0.00
Proposed Director				
Nick Leslau	—	—	52,788,122	2.59

* Figures are calculated: (i) on the basis of 1,093,559,368 Ordinary Shares in issue as at the Latest Practicable Date, (ii) 942,960,279 New Ordinary Shares being issued in connection with the Merger and (iii) excluding any other issues of Ordinary Shares between the date of publication of this document and the Effective Date.

Taken together, the combined percentage interest of the Directors and the Proposed Director (i) in the issued ordinary share capital of LondonMetric as at the Latest Practicable Date was approximately 0.85 per cent. and (ii) following the Merger becoming Effective, will be approximately 3.05 per cent. of the Enlarged Share Capital.

8.2 Save as disclosed in this paragraph 8, as at the Latest Practicable Date, none of the Directors or the Proposed Director held any conditional rights or options to acquire Ordinary Shares.

8.3 Save as disclosed in this paragraph 8, no Director and/or the Proposed Director nor their immediate families, nor any person connected with any Director has any interests (beneficial or non-beneficial) in the share capital of LondonMetric or any of its subsidiaries.

8.4 **Significant shareholders' interests in LondonMetric**

Other than the interests of Directors and the Proposed Director disclosed in this paragraph 8, in so far as is known to the Company, the following persons held, directly or indirectly, three per cent. or more of LondonMetric's voting rights as at the Latest Practicable Date:

<i>As at the Latest Practicable Date</i>			
Shareholder	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital of LondonMetric</i>	<i>Immediately following the Merger becoming Effective Percentage of Enlarged Share Capital*</i>
Blackrock Group.**	87,888,433	8.04	4.32
Norges Bank Investment Management	61,775,880	5.65	3.03
The Vanguard Group, Inc.	56,805,587	5.19	2.79
Rathbone	54,639,391	5.19	2.68
Amerprise/Threadneedle Investments	46,762,044	4.28	2.30
Franklin Resources Inc	39,485,313	3.61	1.94
Legal & General Investment Management	36,099,323	3.30	1.77

* Assuming that the interests of significant shareholders as at 2 February 2024 do not change, 942,960,279 New Ordinary Shares are issued and not taking into account any holdings of LXi Ordinary Shares.]

** BlackRock Group is the registered holder of 119,277,817 ordinary shares representing 10.91 per cent. of the issued share capital of the Company. BlackRock Group holds voting rights over 87,888,433 ordinary shares representing 8.04 per cent. of the issued share capital of the Company for the purposes of calculating BlackRock Group's total voting rights in accordance with LR 11.1.4A.

8.5 There are no differences between the voting rights enjoyed by those Shareholders set out in paragraph 8.4 above and those enjoyed by any other holder of Ordinary Shares.

8.6 As at the Latest Practicable Date, LondonMetric is not aware of any person who will or could, directly or indirectly, jointly or severally, exercise or, immediately following the Merger becoming Effective, could exercise ownership or control over LondonMetric and is not aware of any arrangement the operation of which may at a subsequent date result in a change of control of LondonMetric.

9. **TERMS OF APPOINTMENT, REMUNERATION AND BENEFITS OF DIRECTORS AND THE PROPOSED DIRECTOR**

9.1 **Executive Directors**

Andrew Jones and Martin McGann entered into their current service agreements with LondonMetric on 11 July 2013 in respect of their services as executive directors of LondonMetric.

Andrew Jones is employed by LondonMetric as Chief Executive. Andrew Jones is eligible to participate in LondonMetric's discretionary bonus scheme up to an amount equal to a maximum of 165 per cent. of salary. Mr Jones is also eligible to participate in LondonMetric's LTIP, details of which are set out in paragraph 14 of this Part 14 (Additional Information). Mr. Jones's employment continues

until terminated by either party giving to the other 12 months' notice. LondonMetric makes annual contributions to Mr. Jones's pension arrangements of 10 per cent. of his annual salary (which may be taken partly or entirely in cash).

Martin McGann is employed by LondonMetric as Finance Director. Martin McGann is eligible to participate in LondonMetric's discretionary bonus scheme up to an amount equal to a maximum of 140 per cent. of salary. Mr McGann is also eligible to participate in LondonMetric's LTIP details of which are set out in paragraph 14 of this Part 14 (Additional Information). Mr McGann's employment continues until terminated by either party giving to the other 12 months' notice. LondonMetric makes annual contributions to Mr McGann's pension arrangements of 10 per cent. of his annual salary (which may be taken partly or entirely in cash).

9.2 ***Non-executive Directors***

Alistair Elliott was appointed to the Board on 26 May 2022 as a Non-executive Director of LondonMetric and entered into his current letter of appointment on 22 November 2023 in respect of his appointment as Non-executive Chair of LondonMetric.

Suzy Neubert was appointed to the Board on 29 March 2023 and entered into her current letter of appointment with LondonMetric on 27 March 2023 in respect of her services as a Non-executive Director of LondonMetric.

Andrew Livingston was appointed to the Board on 31 May 2016 and entered into his current letter of appointment with LondonMetric on 3 May 2016 in respect of his services as a Non-executive Director of LondonMetric.

Suzanne Avery was appointed to the Board on 22 March 2018 and entered into her current letter of appointment with LondonMetric on 22 March 2018 in respect of her services as a Non-executive Director of LondonMetric.

Robert Fowlds was appointed to the Board on 31 January 2019 and entered into his current letter of appointment with LondonMetric on 31 January 2019 in respect of his services as a Non-executive Director of LondonMetric.

Kitty Patmore was appointed to the Board on 28 January 2021 and entered into her current letter of appointment with LondonMetric on 28 January 2021 in respect of her services as a Non-executive Director of LondonMetric.

Nick Leslau is proposed to be appointed to the Board to take effect from the Effective Date and will enter into a letter of appointment with LondonMetric on or before the Effective Date in respect of his services as a Non-Executive Director of LondonMetric.

The Senior Independent Director is Suzy Neubert.

The Non-executive Directors and the Proposed Director have agreed to give not less than three months' notice respectively should they wish to resign prior to expiry of their term of appointment. In addition to the powers of removal conferred by the Articles, LondonMetric may request that any Non-executive Director or the Proposed Director resigns by giving that Non-executive Director or the Proposed Director three months' prior notice respectively.

A summary of the Directors' remuneration and benefits for the year ended 31 March 2023 is set out in paragraph 9.3 of this Part 14.

9.3 **Summary of remuneration and benefits**

Under the terms of their service contracts, appointment letters and applicable bonus schemes (as applicable), in the year ended 31 March 2023, the Directors were entitled to the remuneration and benefits set out below:

<i>Name</i>	<i>Salary and fees £</i>	<i>Benefits £</i>	<i>Annual Bonus £</i>	<i>Pension £</i>	<i>LTIP £</i>	<i>Total £</i>
Executive Directors						
Andrew Jones	608,642	25,943	798,621	63,235	874,515	2,370,956
Martin McGann	406,973	28,255	441,544	42,283	453,185	1,372,240
Non-Executive Directors						
Alistair Elliott	44,778	–	–	–	–	44,778
Suzy Neubert	–	–	–	–	–	–
Suzanne Avery	62,342	–	–	–	–	62,342
Robert Fowlds	77,342	–	–	–	–	77,342
Andrew Livingston	57,342	–	–	–	–	57,342
Kitty Patmore	57,342	–	–	–	–	57,342
Total	1,314,761	54,198	1,240,165	105,518	1,327,700	4,042,342

- 9.4 The Company has agreed pursuant to the terms of the Proposed Director's appointment letter, to pay the Proposed Director a salary of £54,350 per annum. The Proposed Director shall not be entitled to any bonus, pension or participation in the LondonMetric LTIP or any other share scheme.
- 9.5 The Directors are subject to retirement by rotation in accordance with the Articles, although in practice, and in accordance with the Corporate Governance Code, all Directors stand for re-election at each annual general meeting of the Company.
- 9.6 Save as described above, there are no existing or proposed service agreements between any Director (or the Proposed Director) and LondonMetric or any of its subsidiaries with a notice period of one year or more.
- 9.7 There are no existing or proposed service agreements or appointment letters between any Director (or the Proposed Director) and any member of the Combined Group providing for benefits upon termination of employment.
- 9.8 The aggregate remuneration paid (including any contingent or deferred compensation and excluding pensions contributions) and benefits in kind granted to the Directors by LondonMetric and its subsidiaries during the financial year ended 31 March 2023 for services in all capacities was £3,936,824.
- 9.9 On 18 December 2023, at a general meeting convened by the Company, the Shareholders approved the terms of the 2023 Remuneration Policy effective from 18 December 2023 for the period up to the annual general meeting to be convened in 2026.

10. **ADDITIONAL INFORMATION ON DIRECTORS AND THE PROPOSED DIRECTOR**

- 10.1 Further details of the Directors' functions in LondonMetric and, following the Merger, the Directors' and the Proposed Director's functions in the Combined Group, and their relevant management experience are set out in paragraph 3 of Part 8 (Information on the LondonMetric Group) of this document.

- 10.2 The Directors and the Proposed Director currently hold or in the past five years before the date of this document have held the following directorships and/or have been partners of the following partnerships outside the Combined Group:

<i>Name of Director</i>	<i>Existing directorships/partnerships</i>	<i>Past directorships/partnerships</i>
LondonMetric Directors		
Andrew Jones	Basingstoke Topco Limited Dos Passos Limited Rankeilour Commercial 1 LLP Rankeilour Commercial 2 LLP Rankeilour Commercial 4 LLP	The Unite Group Plc
Martin McGann		Rankeilour Commercial 1 LLP Rankeilour Commercial 2 LLP Rankeilour Commercial 4 LLP
Alistair Elliott	Learn 2 Live Youth Clinic Limited Grosvenor Limited	Broomco FK (02059284) Limited Broomco Hanover (00990708) Limited Broomco KF (03236758) Limited Broomco Markham (02388024) Limited Broomco Property (03323884) Unlimited Broomco RCP (OC316675) LLP Broomco SP (OC343254) LLP Broomco Spencer (01890642) Limited K.F. & R. Limited KF Australia Holdings Limited KF (Nigeria) Limited KF Corporate Member Limited KF Property Limited KFZ Investments Limited Knight Frank & Rutley Limited Knight Frank (India) Private Ltd Knight Frank (Kenya) Ltd Knight Frank (Nominees) Limited Knight Frank (Tanzania) Ltd Knight Frank Asia Pacific Pte Ltd Knight Frank Holdings Limited Knight Frank LLP Knight Frank Middle East Limited Knight Frank Petty Holdings Ltd Knight Frank Pte Ltd Knight Frank Services Company Landaid Charitable Trust Limited
Suzy Neubert	Liverpool Victoria Financial Services Limited Jupiter Fund Management plc Isio Topco Limited	Witan Investment Services Limited Witan Investment Trust plc

<i>Name of Director</i>	<i>Existing directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Suzanne Avery	Real Estate Balance (Shareco) Limited Real Estate Balance Limited RHP Develop Limited Richmond Housing Partnership Limited	Impact Invest SA Ltd RHP Home (Repairs) Limited Landaid Charitable Trust Limited
Robert Fowlds	Robert Fowlds Consulting Limited Klepierre S.A.	Brixton Radlett Property Limited Casa Alida Mijas La Nueva S.L. UK Commercial Property Estates (Reading) Limited UK Commercial Property Estates Limited UK Commercial Property Estates Holdings Limited UK Commercial Property Finance Holdings Limited UK Commercial Property GP Limited UK Commercial Property Holdings Limited UK Commercial Property Nominee Limited UK Commercial Property REIT Limited
Andrew Livingston	Howden Joinery Group Plc Howden Joinery Holdings Limited Howden Joinery Limited Rankeilour Commercial 1 LLP Rankeilour Commercial 2 LLP Rankeilour Commercial 4 LLP Livingston Investments Limited Vedoneire Limited Wonderfully Made Limited	Caryland Limited
Kitty Patmore	Benthall Grange (Ironbridge) Management Company Limited Cadley Park Management Company Limited Coze Homes Limited Cutacre Country Park Management Company Limited Eos Inc. Ltd Flass Lane Management Company Limited Harworth Estates (Agricultural Land) Limited Harworth Estates (Waverley Prince) Ltd Harworth Estates Curtilage Limited Harworth Estates Investments Limited Harworth Estates Limited Harworth Estates Mines Property Limited Harworth Estates No 2 Limited Harworth Estates Northumberland Woodland Limited J&K Patmore	Coalfield Estates Limited Harwood Real Estate Asset Management Limited Harworth Estates Group Limited Harworth Guarantee Co. Limited Harworth No. 3 Limited Harworth Secretariat Services Limited Harworth Trustees Ltd Konect Management Company Limited Waverley Square Limited

<i>Name of Director</i>	<i>Existing directorships/partnerships</i>	<i>Past directorships/partnerships</i>
	Harworth Estates Overage Limited Harworth Estates Property Group Limited Harworth Estates Residential Development Limited Harworth Estates Warwickshire Ltd Harworth Group Plc Harworth No 1 Limited Harworth PV Limited Harworth Regeneration Limited Harworth Services Limited Harworth Surface Water Management (Bardon) Limited Harworth Surface Water Management (North West) Limited Harworth TRR Limited Logistics North Mc Limited Mapplewell Management Company Limited Moss Nook (St Helens) Management Company Ltd Olive Lane Management Company Limited Pow Management Company Limited Riverdale Park Management Company Limited Rossington Community Management Company Limited Simpson Park Management Company Limited South East Coalville Management Company Limited Thoresby Vale Management Company Limited Waverley Community Management Company Limited	
<i>Proposed Director</i>		
Nick Leslau	Silverlink Propco Limited Silverlink Jv Limited Saracens Group Holdings Limited Yogiendeavours Limited Lxi Reit plc Padel Central Limited Prestbury Management Holdings Limited 18 Cavendish Square Limited Pumpkin Investments Ltd Yoginvest Ltd Lesray Holdings Limited Prestbury Sir 2 Limited Prestbury Sir 3 Limited Prestbury Sir 1 Limited Prestbury Incentives Limited Twenty Three Prince Albert Road (Management) Limited	SIR Newco Limited SIR Newco 2 Limited SIR Maple Holdco Limited SIR Maple 3 Limited SIR Maple 4 Limited SIR Hotels 2 Limited SIR Maple 2 Limited Sleep Solutions Limited Woven Rugs Limited Maidstone Property Limited Liability Partnership Muddy Boots Real Foods Ltd P1 St Andrew Limited Lesray LLP P1 Prime Limited P1 Bars GP Limited P1 Bars Propco 2 Limited P1 Bars Propco Limited

<i>Name of Director</i>	<i>Existing directorships/partnerships</i>	<i>Past directorships/partnerships</i>
	Holetown Group Limited P1 Intermediate Two Limited Sale & Leaseback Limited Pumpkin General Partner Limited Pihl Equity Assessments Limited Prestbury 1 Feasibility Limited Prestbury 1 Nominee Limited Prestbury General Partner Limited Prestbury Investments Llp Prestbury Two Limited Liability Partnership Pihl Equity Limited Liability Partnership Pihl Property Limited Liability Partnership Pihl Equity Administration Limited Pihl Property Holdings Limited Pihl One Limited Pihl Services Limited Prestbury Investment Holdings Limited New Prestbury Limited Prestbury Nominees Limited Prestbury (Stukeley Road) Ltd.	P1 Bars Limited Pihl Equity Holdings Limited Pihl Property Administration Limited Prestbury West Coast Retail Limited Pihl Wentworth Manager Limited Saracen Property Investments LLP Prestbury Group Prestbury Residual Limited Amalfi Investment Partners Limited SIR Umbrella Limited SIR Hospitals Propco Limited SIR ATH Limited SIR Fitzwilliam Limited SIR Yorkshire Limited SIR Oaks Limited SIR Healthcare 1 Limited Charcoal Midco 2 Limited SIR Midlands Limited SIR TP Limited SIR Hotels 1 Limited SIR Fulwood Limited Thomas Rivers Limited SIR MTL Limited SIR Theme Parks Limited SIR Lisson Limited Charcoal Bidco Limited SIR Healthcare 2 Limited SIR Woodland Limited SIR New Hall Limited SIR HP Limited SIR Springfield Limited SIR Duchy Limited SIR WC Limited SIR Pinehill Limited SIR Hospital Holdings Limited SIR Rivers Limited SIR Theme Park SubHoldCo Limited LXi SIR Holdco Limited SIR Oaklands Limited Saracens Limited Premier Team Holdings Limited MPT Downs Limited MPT Reading Limited MPT Rowley Limited MPT Winfield Limited MPT Euxton Limited MPT Mt Stuart Limited MPT Ashtead Limited MPT Renacres Limited BM Holdco Limited Prestbury West Coast Holdings Limited Prestbury West Coast Four Limited PSX Midco Limited

- 10.3 Save as set out above, none of the Directors or the Proposed Director have any business interests, or perform any activities, outside LondonMetric which are significant with respect to LondonMetric.
- 10.4 Save as disclosed in this paragraph 10, as at the date of this document, none of the Directors or the Proposed Director has at any time within the last five years:
- 10.4.1 been a director, member of the administrative, management or supervisory bodies, or partner, of any companies or partnerships other than a LondonMetric Group company;
 - 10.4.2 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
 - 10.4.3 been adjudged bankrupt or the subject of any individual voluntary arrangement;
 - 10.4.4 had a receiver appointed with respect to any assets belonging to him or her;
 - 10.4.5 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including any designated professional body);
 - 10.4.6 been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company;
 - 10.4.7 been a partner or senior manager in a partnership which, while he or she was a partner or senior manager or within 12 months of their ceasing to be a partner or senior manager, was put into compulsory liquidation or administration or entered into any partnership voluntary arrangement or had a receiver appointed over any partnership asset; or
 - 10.4.8 been a director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time while he or she was a director or senior manager of that company or within 12 months after they ceased to be a director.
- 10.5 There are no family relationships between any of the Directors or the Proposed Director and there are no potential conflicts of interest between their duties to LondonMetric and their private interests and or other duties.
- 10.6 There are no arrangements or understandings with major Shareholders, customers, suppliers or others pursuant to which any Director or Proposed Director was selected as a director.
- 10.7 The Remuneration Committee has discretion to apply restrictions on the disposal of Executive Directors' holdings in the share capital of LondonMetric in connection with shares granted to them pursuant to the LondonMetric LTIP as further described in paragraph 14.2.9 of this Part 14.
- 10.8 There are no outstanding loans or guarantees which have been granted or provided to or for the benefit of any Directors or the Proposed Director by any member of the Combined Group.

11. LITIGATION

11.1 *Litigation concerning the LondonMetric Group*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which LondonMetric is aware) during the 12-month period prior to the publication of this document which may have, or have had in the recent past, significant effects on LondonMetric or the LondonMetric Group's financial position or profitability.

11.2 *Litigation concerning the LXI Group*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which LondonMetric is aware) during the 12-month period prior to the publication of this document which may have, or have had in the recent past, significant effects on LXI or the LXI Group's financial position or profitability.

12. CORPORATE GOVERNANCE AND BOARD PRACTICES

12.1 *The Board*

The Corporate Governance Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. Listed companies are required to report on how they have applied the main principles of the Corporate Governance Code, and either to confirm that they have complied with the Corporate Governance Code's provisions or, where they have not, to provide an explanation. The Company reports on compliance and explains any non-compliance in its annual report.

The Corporate Governance Code states that the board should identify the directors it considers to be independent and sets out circumstances which are likely to impair, or could impair, a director's independence. A majority of the board of the Company are independent non-executive directors.

As at the date of this document, the Board consists of the Non-executive Chair, two Executive Directors and five Non-executive Directors. Andrew Jones (Chief Executive) and Martin McGann (Finance Director) are Executive Directors. Alistair Elliott, Suzy Neubert, Suzanne Avery, Robert Fowlds, Andrew Livingston and Kitty Patmore are Non-executive Directors. As at the date of this document, all of the Non-executive directors were considered independent within the meaning of the Corporate Governance Code which amounts to 71 per cent. of the Directors (excluding the Non-executive Chair who is also independent). This will decrease to 63 per cent. following the appointment of the Proposed Director.

LondonMetric is committed to high standards of corporate governance and, save as disclosed in this paragraph 12, is compliant with the principles and provisions of the Corporate Governance Code and will continue to comply with the principles and provisions of the new Corporate Governance Code.

The Corporate Governance Code recommends that a board of directors should appoint one of its independent non-executive directors to be the senior independent director. The senior independent director should be available to shareholders if they have concerns that the normal channels of non-executive chair or chief executive have failed to resolve or if such channel of communication is inappropriate. LondonMetric's Senior Independent Director is Suzy Neubert and LondonMetric expects Suzy Neubert to continue in this role following completion of the Merger.

12.2 *Committees*

The Board is assisted in fulfilling its responsibilities by the Audit Committee, the Remuneration Committee and the Nomination Committee. The terms of reference for these committees are set out below.

The Audit Committee comprises Kitty Patmore (chair), Suzanne Avery, Robert Fowlds and Suzy Neubert. Its responsibilities include monitoring the integrity of LondonMetric's financial reporting process and scrutinising the full and half year financial statements, considering and challenging the key financial judgements made by management, reviewing the risk management framework and ensuring risks are carefully identified, assessed and mitigated, reviewing the performance, independence and effectiveness of the external auditor and audit process, reviewing the viability statement and going concern basis of preparation and considering whether the annual report is "fair, balanced and understandable".

The Remuneration Committee comprises Robert Fowlds (chair), Suzanne Avery, Andrew Livingston and Suzy Neubert. Its responsibilities include setting and reviewing the LondonMetric Group's overall remuneration policy and strategy, determining and reviewing individual remuneration packages, determining and reviewing the rules for the LondonMetric LTIP and the annual bonus and approving salaries, bonuses and LTIP awards for the Executive Directors and other senior executives.

The Nomination Committee comprises Alistair Elliott (chair), Suzanne Avery, Robert Fowlds and Andrew Livingston. Its responsibilities include, but are not limited to, reviewing and evaluating the size, structure and composition of the Board and its committees, making recommendations to the Board regarding Board and committee membership changes, considering succession planning for Directors and other senior executives, leading the process for new Board and committee

appointments to fill Board vacancies, promoting the LondonMetric's policy on diversity at Board level and in the wider organization, leading the Board and committee performance evaluation exercise, assessing the time commitment required from non executive directors, considering the annual election and re-election of Directors to the Board and making recommendations to the Board concerning the above.

To enable the Directors to discharge their duties, the principles of good boardroom practice require that each of them be provided with accurate, timely and clear information. In addition, every director and every committee has the authority to seek information from any director of the Company or employee and to obtain independent professional advice.

Save as disclosed, there are no potential conflicts of interest between the duties of the Directors to LondonMetric and their private interests or other duties and none of the Directors have, or have had, any material personal interest in any transaction which is or was unusual in its nature or conditions or significant to, the business of LondonMetric or which has been effected by LondonMetric since its incorporation.

13. EMPLOYEES

As at the date of this document, the LondonMetric Group employs 33 employees (including the Directors but excluding the Non-executive Directors) which can be broken into the following categories and locations:

		<i>Number (as at 2 February 2024)</i>
<i>Employees</i>		
Category	Property	14
	Finance	12
	Support	5
	Executive Directors	2
	Total	33
Geographical location	United Kingdom	33
	Total	33

14. LONDONMETRIC SHARE SCHEME

14.1 **Summary**

- 14.1.1 The LondonMetric LTIP was adopted on 10 July 2013 and re-approved on 12 July 2023 for a term of 10 years to attract and retain high calibre individuals throughout the LondonMetric Group. All current and future employees (including Executive Directors) of the LondonMetric Group are eligible to participate in the LondonMetric LTIP at the discretion of the Remuneration Committee.
- 14.1.2 The LondonMetric LTIP provides for the grant of awards over Ordinary Shares which may be structured as nil-cost options, conditional rights to acquire Ordinary Shares or to receive a cash payment equivalent to such Ordinary Shares (the "**LTIP Awards**"). The LTIP Awards vest on or after the third anniversary of the date granted and are subject to performance conditions and targets and may be subject to a lock-in. The LTIP Awards are granted annually.
- 14.1.3 As at 2 February 2024, conditional awards over 6,939,423 Ordinary Shares remain outstanding under the LondonMetric LTIP.

14.2 **LondonMetric LTIP**

Eligibility

- 14.2.1 All employees of the LondonMetric Group including Executive Directors, are eligible to participate in the LondonMetric LTIP at the discretion of the Remuneration Committee (each an “**LTIP Participant**”).

Grant of awards

- 14.2.2 The LondonMetric LTIP provides for the LTIP Awards over Ordinary Shares in the capital of the Company.
- 14.2.3 In general, LTIP Awards may be granted during the period of (i) 42 days following shareholder approval of the LondonMetric LTIP or an amendment to the LondonMetric LTIP, (ii) 42 days following the announcement of the Company's final or interim results for any financial period, or (iii) within 42 days following the occurrence of an event which the Remuneration Committee considers to be exceptional. If any of the above period is within a period when share dealings are restricted, then LTIP Awards may be granted within 42 days of the end of that period.
- 14.2.4 No LTIP Awards may be granted more than ten years after the LondonMetric LTIP has been approved by shareholders.
- 14.2.5 LTIP Awards may be granted over newly issued Ordinary Shares, treasury shares or Ordinary Shares purchased in the market.

Vesting

- 14.2.6 The Remuneration Committee will determine at the date of grant when and how LTIP Awards will vest. Ordinarily, LTIP Awards vest on the third anniversary of grant subject to (i) the LTIP Participant remaining an employee or director of the LondonMetric Group, and (ii) the satisfaction of performance targets measured over three consecutive financial years. The period from the date of grant until the date of vesting shall be known as the “**Vesting Period**”.
- 14.2.7 If events occur which cause the Remuneration Committee to reasonably believe that the original performance conditions are no longer a fair measure of performance, then the conditions may be amended or waived in such manner as may be fair and reasonable in the Remuneration Committee's discretion.
- 14.2.8 In addition, the Remuneration Committee retains discretion to adjust the level of vesting of LTIP Awards upwards or downwards if in its opinion the level of vesting resulting from the application of any applicable performance conditions is not a fair and accurate reflection of business performance, the LTIP Participant's personal performance and such other factors as the Remuneration Committee may consider appropriate.

Holding Period

- 14.2.9 At the discretion of the Remuneration Committee, LTIP Awards may be granted subject to a holding period following vesting during which any vested and exercised LTIP Awards cannot normally be sold or otherwise disposed of except for tax arising on vesting or exercise. In the event of cessation of employment, the LTIP Participant will normally remain subject to any post-vesting holding requirements.

Dividends

- 14.2.10 The Remuneration Committee in its absolute discretion may determine that the LTIP Participants shall be entitled to receive additional Ordinary Shares (or cash) representing the value of dividends declared during the Vesting Period on the number of Ordinary Shares subject to the LTIP Participant's LTIP Award which have vested.

Malus and clawback

- 14.2.11 The Remuneration Committee may decide upon the vesting of an LTIP Award or at any time before, that the number of Ordinary Shares subject to the LTIP Award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair and reasonable in the following circumstances:
- (a) discovery of a material misstatement resulting in an adjustment in the audited accounts of the LondonMetric Group;
 - (b) the assessment of any performance condition or condition in respect of an LTIP Award was based on error, or inaccurate or misleading information;
 - (c) an error in the calculation of the number of shares that vest under an LTIP Award;
 - (d) action or conduct of a LTIP Participant which amounts to fraud or gross misconduct;
 - (e) events or the behaviour of a LTIP Participant have led to the censure of the LondonMetric Group by a regulatory authority or have had a significant detrimental impact on the reputation of the LondonMetric Group provided that the Board is satisfied that the relevant LTIP Participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the LTIP Participant; and/or
 - (f) where, as a result of an appropriate review of accountability, the Remuneration Committee determines that the LTIP Participant has caused wholly or in part a corporate failure of LondonMetric.
- 14.2.12 The Remuneration Committee may apply clawback to all or part of a LTIP Participant's LTIP Award in substantially the same circumstances as apply to malus (as described above) during the two years following the vesting of an LTIP Award. Clawback may be effected, among other means, by requiring the transfer of Ordinary Shares, payment of cash or reduction of LTIP Awards on such basis that the Remuneration Committee in its discretion considers to be fair and reasonable.

Individual limits

- 14.2.13 The aggregate market value of Ordinary Shares subject to LTIP Awards granted to a LTIP Participant under the LondonMetric LTIP in any financial year shall not exceed 225 per cent. of such LTIP Participant's gross annual salary (as at the date of grant) or 235 per cent. of that person's gross annual salary (as at the date of grant) in exceptional circumstances on recruitment. The Remuneration Committee has discretion to determine the size of an LTIP Award granted to any individual under the LondonMetric LTIP within this maximum limit. In applying the individual limit, no account will be taken of Ordinary Shares which are issued and which represent the value of dividends declared during the Vesting Period on the number of Ordinary Shares which are subject to a LTIP Participant's LTIP Award and which have vested.
- 14.2.14 In order to calculate the size of an LTIP Award for the purposes of the individual limit, market value will be determined by reference to the Company's share price averaged over five dealing days prior to (but not including) the relevant date of grant, or such other basis as it (in its absolute discretion) sees fit.

Scheme limits

- 14.2.15 The number of Ordinary Shares over which LTIP Awards may be granted on any date shall be limited so that the total number of Ordinary Shares issued and issuable in respect of LTIP Awards granted under the LondonMetric LTIP (and any other executive (discretionary) share scheme operated by the Company) in any ten-year period is restricted to 5 per cent. of the Company's issued Ordinary Shares, calculated at the relevant time. The number of

Ordinary Shares over which LTIP Awards may be granted on any date shall be limited so that the total number of Ordinary Shares issued and issuable in respect of LTIP Awards granted under the LondonMetric LTIP (and any other share scheme operated by the Company) in any ten-year period is restricted to 10 per cent. of the Company's issued Ordinary Shares, calculated at the relevant time.

- 14.2.16 For the purposes of the scheme limits, no account is taken of LTIP Awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting. Treasury shares are treated as newly issued Ordinary Shares for the purposes of the scheme limit for as long as is required by institutional investor guidelines, but (for the avoidance of doubt) Ordinary Shares acquired in the market will not.
- 14.2.17 In addition, no account will be taken of Ordinary Shares which are issued and which represent the value of dividends declared during the Vesting Period on the number of Ordinary Shares subject to the LTIP Participants LTIP Awards which have vested.

Manner of exercise of Awards/allotment

- 14.2.18 Within 30 days of vesting and/or the receipt of a notice of exercise of an LTIP Award (in the case of an option) together with a payment (or arrangements to pay) for the aggregate exercise/subscription price due (if any) and a payment (or arrangements to pay) for any income tax and employee social security contributions (or similar liabilities) due, the Ordinary Shares in respect of which the LTIP Award has vested or been exercised must be issued by the Company or the Company must procure their transfer (which for the purposes of the LondonMetric LTIP includes the transfer of Ordinary Shares out of treasury) to the LTIP Participant and shall issue a definitive certificate in respect of the Ordinary Shares allotted or transferred. Ordinary Shares issued or transferred by the Company on the exercise and/or vesting of LTIP Awards will rank *pari passu* with existing Ordinary Shares. Alternatively, the Remuneration Committee may elect to settle LTIP Awards in cash.

Termination of employment

- 14.2.19 Unvested LTIP Awards granted under the LondonMetric LTIP will normally lapse on cessation of employment. However, if a LTIP Participant is a "good leaver" i.e. if he or she dies or leaves employment through injury, ill health or disability, redundancy, retirement or because his or her employing company or business in which he or she works is sold out of the LondonMetric Group or for any other reason approved by the Remuneration Committee (in its absolute discretion), then the Remuneration Committee may permit that LTIP Participant (or his or her personal representatives as the case may be) to retain the unvested LTIP Award and permit vesting/exercise subject to the satisfaction of the performance conditions and a pro-rata reduction for the time that has elapsed since the relevant date of cessation. The Remuneration Committee also reserves the right to permit vesting/exercise subject to a lesser reduction (or none at all) than that calculated by applying a pro-rata reduction.
- 14.2.20 Alternatively, the Remuneration Committee may, in its discretion, permit some or all of the unvested LTIP Awards held by a "good leaver" to immediately vest and/or be exercised (as the case may be) during a limited period following cessation, having regard to the achievement of the performance conditions and the period of time that has passed since the relevant date of grant. If a LTIP Participant ceases employment in any circumstances other than the "good leaver" circumstances described above then all his or her LTIP Awards (vested and unvested) will lapse on such cessation.

Change of control

- 14.2.21 If a change of control event occurs, such as a takeover, or other capital event, the Remuneration Committee will determine the extent to which subsisting unvested LTIP Awards will vest and, in the case of options, become exercisable. Unless the Remuneration Committee determined otherwise, this will be determined by reference to the extent to which performance conditions have been satisfied (taking into account the

reduced performance period) and pro-rating LTIP Awards to take into account the period which has elapsed since the date of grant.

Variation of share capital

- 14.2.22 In the event of a capitalisation issue or offer by way of rights (including an open offer), a special dividend or a demerger, or upon any consolidation, subdivision or reduction or other variation of the Company's capital, the number of Ordinary Shares subject to an LTIP Award and/or the exercise price (if any) may be adjusted in such manner as the Remuneration Committee shall, in its opinion, consider fair and reasonable.

Alteration of LondonMetric LTIP

- 14.2.23 The LondonMetric LTIP may be amended by the Board in any way provided that:

- (a) no amendment, addition or deletion may normally be made to the LondonMetric LTIP which would materially prejudice the interests of LTIP Participants in relation to LTIP Awards already granted to them unless the sanction of at least 75 per cent. of the LTIP Participants (by value of subsisting LTIP Awards) has been obtained; and
- (b) all amendments to the advantage of LTIP Participants to the provisions relating to the definition of eligible employee, limits on the number of Ordinary Shares subject to the LondonMetric LTIP, the maximum entitlement for any one LTIP Participant or the basis for determining a LTIP Participant's entitlement to and the terms of Ordinary Shares to be provided and adjustment thereof, if any, in the event of a variation of capital will require the prior consent of the Company in general meeting unless they are minor amendments to benefit the administration of the scheme or to obtain or maintain favourable tax, exchange control or regulatory treatment for LTIP Participants, the Company or a member of the Group.

- 14.2.24 The Board may amend the LondonMetric LTIP by way of separate schedules to enable it to be operated overseas, provided that the terms of the separate schedules are not overall more favourable than the terms of the LondonMetric LTIP.

14.3 **LondonMetric EBT**

- 14.3.1 The LondonMetric EBT is a discretionary trust constituted by a trust deed between the Company and an independent off-shore professional trustee company. The LondonMetric EBT was constituted on 28 August 2013 as an employees' share scheme within the meaning of Section 1166 of the Companies Act 2006, with the purpose which includes but is not limited to encouraging and facilitating the holding of shares by *bona fide* employees of the Company (which, for these purposes includes Executive Directors) and its subsidiaries, former employees and certain of their relatives or for their benefit.
- 14.3.2 The trustee of the LondonMetric EBT has full discretion with regard to the application of the trust fund. The trustee of the LondonMetric EBT has the power to acquire Ordinary Shares and any Ordinary Shares so acquired may be used for the purposes of satisfying LTIP Awards (or any other award granted under any other employees' share scheme adopted by the Company). The LondonMetric EBT is funded by way of loan to acquire Ordinary Shares either by market purchase or by subscription.
- 14.3.3 Any Ordinary Shares issued to the LondonMetric EBT in order to satisfy LTIP Awards under the LondonMetric LTIP which the trustee of the LondonMetric EBT has granted count towards the dilution limits that apply to the LondonMetric LTIP. For the avoidance of doubt, any Ordinary Shares acquired by the LondonMetric EBT in the market in order to satisfy LTIP Awards do not count towards these limits. The trustee of the LondonMetric EBT has waived any dividends paid on the Shares settled in the LondonMetric EBT. The LondonMetric EBT currently holds 2,451,565 Ordinary Shares. The Ordinary Shares can be used to satisfy LTIP Awards.

15. MATERIAL CONTRACTS

15.1 *LondonMetric material contracts*

15.1.1 The following is a summary of each contract that has been entered into by members of the LondonMetric Group otherwise than in the ordinary course of business:

- (a) in the two years immediately preceding the Latest Practicable Date and which is, or may be, material to the LondonMetric Group; or
- (b) otherwise than in the two years immediately preceding the date of this document which contain any provision under which any member of the LondonMetric Group has any obligation or entitlement which is material to the LondonMetric Group, as at the date of this document.

15.1.2 *Contracts relating to the Proposals*

(a) Peel Hunt Sponsor's Agreement

On 6 February 2024, LondonMetric and Peel Hunt entered into a sponsor's agreement (the "Sponsor's Agreement"). Pursuant to the Sponsor Agreement, LondonMetric has:

- appointed Peel Hunt as its sole sponsor (subject to and in accordance with the terms of the Sponsor's Agreement);
- given Peel Hunt the right to terminate the Sponsor's Agreement prior to the Effective Date in certain circumstances, including if there is a material adverse change in the business of LondonMetric or its subsidiaries, or where certain customary conditions are not met;
- given certain warranties and undertakings to Peel Hunt, including in respect of the Combined Group;
- given a customary indemnity to Peel Hunt; and
- agreed to pay certain fees to Peel Hunt, together with certain costs, charges and expenses incurred by Peel Hunt in connection with, amongst other things, Admission.

15.1.3 *Contracts relating to financing*

(i) Proposed £700 million Revolving and Term Facilities Agreement

On 10 January 2024, LondonMetric entered into a commitment letter (the "**Commitment Letter**") with Barclays Bank Plc, National Westminster Bank Plc, ABN AMRO Bank N.V., Banco Santander, S.A., London Branch, Santander UK Plc and HSBC UK Bank plc as "Mandated Lead Arrangers" and "Committed Lenders" under which the Committed Lenders offered, subject to certain conditions, to enter into an English law governed unsecured £700,000,000 revolving and term facilities agreement (the "**Proposed Facilities Agreement**") within five business days of a request of LondonMetric.

The main conditions of the offer from the Committed Lenders to enter into the Proposed Facilities Agreement are, (a) the Proposed Facilities Agreement being executed prior to the longstop date of 10 July 2024, and (b) that no person or group of persons acting in concert gain control of LondonMetric.

Any Mandated Lead Arranger or Committed Lender may terminate its obligations under the Commitment Letter if (a) any of the conditions are not met, or (b) the Merger has lapsed, is withdrawn, is terminated or has failed in accordance with its terms.

The Proposed Facilities Agreement comprises a £560,000,000 revolving facility and a £140,000,000 term facility. The revolving facility will have a term of four years and the term facility will have a term of two years, in each case from the date of the Commitment Letter. LondonMetric has the option to extend the term in respect of

both the revolving and term facilities agreement by one year, and by a further year in respect of the revolving facility. LondonMetric may, subject to approval from a Committed Lender, increase the total commitments of the revolving facility by an aggregate maximum amount of £175,000,000. LondonMetric also has the option to draw-down up to £100,000,000 of the revolving facility in euros. Under the Proposed Facilities Agreement, LondonMetric will be the borrower and certain subsidiaries will act as guarantors. NatWest will be the facility agent.

The Proposed Facilities Agreement is to be used to repay the loans under the LXI 2023 Syndicated Facility Agreement and the loans under the LXI HSBC Facility but the proceeds can also be used for general corporate purposes.

The events of default in the Proposed Facilities Agreement include, but are not limited to, non-payment, misrepresentation, cross-default and insolvency. A prepayment event will occur if any person or group of persons acting in concert gains control of LondonMetric. LondonMetric may, if it gives the facility agent not less than five business days' prior notice, cancel and/or prepay the whole or any part of the facilities.

The rate of interest per annum applicable to each loan made pursuant to the Proposed Facilities Agreement is calculated as the aggregate of:

- (i) a margin of between 1.45 per cent., and 2.20 per cent. in respect of the revolving facility and between 1.55 per cent. and 2.30 per cent. in respect of the term facility; and
- (ii) if the loan is made in pounds sterling, the daily non-cumulative compounded SONIA; or
- (iii) if the loan is made in euros, EURIBOR.

LondonMetric paid an arrangement fee on signing of the Commitment Letter, and is obliged to pay a ticking fee on the committed amounts ranging from 0 per cent. to 30 per cent. of the initial margin on the relevant facility until (i) the Commitment Letter terminates or (ii) (in the case of the fee on the revolving facility) the Proposed Facilities Agreement is signed or (in the case of the term facility) the facility is drawn.

A further arrangement fee is payable on entering into the Proposed Facilities Agreement and a commitment fee is payable on the undrawn amount in respect of the revolving facility.

There are provisions in the Proposed Facilities Agreement under which LondonMetric can agree provisions with the Lenders relating to sustainability in order to have the facilities classified as sustainability-linked facilities.

(ii) Proposed £211.1 million Backstop Facility Agreement

On 10 January 2024, LondonMetric entered into a commitment letter (the **"Backstop Commitment Letter"**) with Barclays Bank Plc and National Westminster Bank Plc as "Mandated Lead Arrangers" and **"Backstop Committed Lenders"** under which the Backstop Committed Lenders offered, subject to certain conditions, to enter into an English law governed unsecured £211,100,000 term facility agreement (the **"Proposed Backstop Facility Agreement"**) within five business days of a request of LondonMetric.

The main conditions of the offer from the Backstop Committed Lenders to enter into the Proposed Backstop Facility Agreement are, (a) the Proposed Backstop Facility Agreement being executed prior to the longstop date of 10 July 2024 and (b) that no person or group of persons acting in concert gain control of LondonMetric.

Any Mandated Lead Arranger or Backstop Committed Lender may terminate its obligations under the Backstop Commitment Letter if (a) any of the conditions are not met, or (b) the Merger has lapsed, is withdrawn, is terminated or has failed in accordance with its terms.

The Proposed Backstop Facility Agreement will have a term of 12 months from the date of the Backstop Commitment Letter. LondonMetric has the option to extend the term of the facility agreement by six months, and by a further six months. Under the Proposed Backstop Facility Agreement, LondonMetric will be the borrower and certain subsidiaries will act as guarantors. NatWest will be the facility agent.

The Proposed Backstop Facility Agreement is to be used to repay certain LXi facility agreements if required.

The events of default in the Proposed Backstop Facilities Agreement include, but are not limited to, non-payment, misrepresentation, cross-default and insolvency. A prepayment event will occur if any person or group of persons acting in concert gains control of LondonMetric. LondonMetric may, if it gives the facility agent not less than five business days' prior notice, cancel and/or prepay the whole or any part of the facilities. There are also provisions which require the prepayment of the facility from the proceeds of equity or debt financings and disposals, subject to certain exceptions.

The rate of interest per annum applicable to each loan made pursuant to the Proposed Backstop Facility Agreement is calculated as the aggregate of:

- (i) a margin of between 1.50 per cent. and 3.65 per cent.; and
- (ii) the daily non-cumulative compounded SONIA.

LondonMetric paid an arrangement fee on signing of the Backstop Commitment Letter and is obliged to pay a ticking fee on the committed amounts ranging from 0 per cent. to 40 per cent. of the applicable margin on the facility, until the facility is drawn or cancelled.

A further arrangement fee is payable on entering into the Proposed Backstop Facility Agreement.

(iii) 2022 Syndicated Revolving Facility

On 21 November 2022 LondonMetric as borrower and certain subsidiaries acting as guarantors entered into an English law governed unsecured £225,000,000 revolving facility agreement (as amended from time to time) between, among others, LondonMetric and NatWest, Barclays, HSBC and Santander (the “**2022 Syndicated Revolving Facility**”). NatWest is the facility agent under the 2022 Syndicated Revolving Facility.

The 2022 Syndicated Revolving Facility has a term of three years but LondonMetric has two plus one year options to extend the term. LondonMetric has exercised the first extension increasing the term by one year to November 2026. LondonMetric may, by giving written notice, request (an accordion increase request) that the total commitments under the 2022 Syndicated Revolving Facility be increase by a maximum of £75,000,000. LondonMetric has exercised this feature which became effective on 22 December 2022 to increase the total commitments under the 2022 Syndicated Revolving Facility from £225,000,000 to £275,000,000. The facility is available for drawing to and including the date falling one month before the termination date.

The events of default in the 2022 Syndicated Revolving Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. A prepayment event will occur if any person or group of persons acting in concert gains control of LondonMetric. LondonMetric may, if it gives the facility agent not

less than five business days' prior notice, cancel and/or prepay the whole or any part of the facility.

The rate of interest per annum applicable to each loan made pursuant to the 2022 Syndicated Revolving Facility is calculated as the aggregate of:

- (i) a margin of between 1.25 per cent. and 2.00 per cent.;
- (ii) daily non-cumulative compounded SONIA.

A commitment fee is payable on the undrawn balance of the facility.

The 2022 Syndicated Revolving Facility also has a green framework structured in accordance with the Loan Market Association's sustainability linked loan principles. Sustainability performance targets have been set which are aligned to LondonMetric's responsible business targets. The targets focus on EPC ratings, renewable installations and developments meeting a minimum BREEAM Very Good standard. The pricing of the 2022 Syndicated Revolving Facility is subject to a two-basis point adjustment either up or down for compliance/non-compliance with the targets.

(iv) 2021 Syndicated Revolving Facility

On 29 April 2021 LondonMetric as borrower and certain subsidiaries acting as guarantors entered into an English law governed unsecured £225,000,000 revolving facility agreement (as amended from time to time) between, among others, LondonMetric and NatWest, Barclays, HSBC and Santander (the "**2021 Syndicated Revolving Facility**"). NatWest is the facility agent under the 2021 Syndicated Revolving Facility.

The 2021 Syndicated Revolving Facility has a term of three years but LondonMetric has two plus one year options to extend the term. LondonMetric has exercised both one year options to extend the term by a further two years to April 2026. The facility is available for drawing to and including the date falling one month before the termination date.

The events of default in the 2021 Syndicated Revolving Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. A prepayment event will occur if any person or group of persons acting in concert gains control of LondonMetric. LondonMetric may, if it gives the facility agent not less than five business days' prior notice, cancel and/or prepay the whole or any part of the facility.

The rate of interest per annum applicable to each loan made pursuant to the 2021 Syndicated Revolving Facility is calculated as the aggregate of:

- (i) a margin of between 1.25 per cent. and 2.00 per cent.;
- (ii) daily non-cumulative compounded SONIA.

A commitment fee is payable on the undrawn balance of the facility.

The 2021 Syndicated Revolving Facility also has a green framework structured in accordance with the Loan Market Association's sustainability linked loan principles. Sustainability performance targets have been set which are aligned to LondonMetric's responsible business targets. The targets focus on EPC ratings, renewable installations and developments meeting a minimum BREEAM Very Good standard. The pricing of the 2021 Syndicated Revolving Facility is subject to a two-basis point adjustment either up or down for compliance/non-compliance with the targets.

(v) Wells Fargo Revolving Facility

On 29 April 2021 LondonMetric as borrower and certain subsidiaries acting as guarantors entered into an English law governed unsecured £175,000,000 revolving facility agreement (as amended from time to time) between, among others, LondonMetric and Wells Fargo as facility agent (the “**Wells Fargo Revolving Facility**”).

The Wells Fargo Facility has a term of five years but LondonMetric has two plus one year options to extend the term. LondonMetric has exercised both one year options to extend the term by a further two years to April 2028. The revolving facility is available for drawing to and including the date falling one month before the termination date. If the Merger proceeds the two year extension will be revoked and the term shall expire in April 2026.

The events of default in the Wells Fargo Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. A prepayment event will occur if any person or group of persons acting in concert gains control of LondonMetric. LondonMetric may, if it gives Wells Fargo not less than five business days’ prior notice, cancel and/or prepay the whole or any part of the facility.

The rate of interest per annum applicable to each loan made pursuant to the Wells Fargo Facility is calculated as the aggregate of:

- (i) a margin of between 1.30 per cent. and 2.05 per cent.;
- (ii) daily non-cumulative compounded SONIA.

A commitment fee is payable on the undrawn balance of the facility.

The Wells Fargo Facility also has a green framework structured in accordance with the Loan Market Association’s sustainability linked loan principles. Sustainability performance targets have been set which are aligned to LondonMetric’s responsible business targets. The targets focus on EPC ratings, renewable installations and developments meeting a minimum BREEAM Very Good standard. The pricing of the Wells Fargo Facility is subject to a two-basis point adjustment either up or down for compliance/non-compliance with the targets.

(vi) 2021 NPA

On 28 April 2021 LondonMetric as issuer and certain subsidiaries acting as guarantors entered into a private placement pursuant to a note purchase agreement (the “**2021 NPA**”). The following senior unsecured notes were issued under the 2021 NPA:

- (a) £67,500,000 2.06 per cent. Series A Senior Notes due 28 April 2028;
- (b) £67,500,000 2.06 per cent. Series B Senior Notes due 16 June 2028;
- (c) £67,500,000 2.34 per cent. Series C Senior Notes due 28 April 2033;
- (d) £67,500,000 2.34 per cent. Series D Senior Notes due 16 June 2033; and
- (e) £30,000,000 2.45 per cent. Series E Senior Notes due 28 April 2036.

The outstanding principal amount of each series of notes shall be repaid in full at par on the relevant dates specified above.

A prepayment event will occur if:

- (a) there is a change in tax laws which increases the cost to LondonMetric and allows LondonMetric to prepay at par plus any accrued interest and any swap breakage amount applicable; and/or

- (b) a sanctions event occurs in relation to any noteholder and this allows any noteholder to require prepayment by LondonMetric at par of any affected notes plus any accrued interest and any swap breakage amount applicable; and/or
- (c) any person or group of persons acting in concert gains control of LondonMetric pursuant to which note holders determine that LondonMetric should prepay the notes at par plus any accrued interest and any swap breakage amount applicable.

LondonMetric may, if it gives each holder of notes not less than 30 days and not more than 60 days prior notice, prepay at any time all or any part of the notes at 100 per cent. of the principal amount so prepaid, plus the make-whole amount (calculated using an applicable percentage of 50 bps and in accordance with the terms of the 2021 NPA) and any swap breakage amount applicable.

The events of default in the 2021 NPA include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency.

(vii) 2018 NPA

On 19 December 2018 LondonMetric as issuer and certain subsidiaries acting as guarantors entered into a private placement pursuant to a note purchase agreement (as subsequently amended) (the “**2018 NPA**”) for the repayment of existing financial indebtedness and/or general corporate purposes. The following senior unsecured notes were issued under the 2018 NPA:

- (a) £50,000,000 3.48 per cent. Series A Senior Notes due 21 March 2029;
- (b) £50,000,000 3.52 per cent. Series B Senior Notes due 21 March 2030;
- (c) £10,000,000 3.57 per cent. Series C Senior Notes due 21 March 2031; and
- (d) £40,000,000 3.65 per cent. Series D Senior Notes due 21 March 2034.

The outstanding principal amount of each series of notes shall be repaid in full at par on the relevant dates specified above.

A prepayment event will occur if:

- (a) there is a change in tax laws which increases the cost to LondonMetric and allows LondonMetric to prepay at par plus any accrued interest and any swap breakage amount applicable; and/or
- (b) a sanctions event occurs in relation to any noteholder and this allows any noteholder to require prepayment by LondonMetric at par of any affected notes plus any accrued interest and any swap breakage amount applicable; and/or
- (c) any person or group of persons acting in concert gains control of LondonMetric pursuant to which note holders determine that LondonMetric should prepay the notes at par plus any accrued interest and any swap breakage amount applicable.

LondonMetric may, if it gives each holder of notes not less than 30 days and not more than 60 days prior notice, prepay at any time all or any part of the notes at 100 per cent. of the principal amount so prepaid, plus the make-whole amount (calculated using an applicable percentage of 50 bps and in accordance with the terms of the 2018 NPA) and any swap breakage amount applicable.

The events of default in the 2018 NPA include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency.

(viii) 2016 NPA

On 21 September 2016 LondonMetric as issuer and certain subsidiaries acting as guarantors entered into a private placement pursuant to a note purchase agreement (as subsequently amended) (the “**2016 NPA**”). The following senior unsecured notes were issued under the 2016 NPA:

- (a) £65,000,000 2.62 per cent. Series A Senior Notes due 21 September 2023;
- (b) £40,000,000 2.72 per cent. Series B Senior Notes due 21 September 2024;
and
- (c) £25,000,000 2.88 per cent. Series C Senior Notes due 21 September 2028.

The Series A Senior Notes were repaid in September 2023. The outstanding principal amount of each other series of notes shall be repaid in full at par on the relevant dates specified above.

A prepayment event will occur if:

- (a) there is a change in tax laws which increases the cost to LondonMetric and allows LondonMetric to prepay at par plus any accrued interest and any swap breakage amount applicable; and/or
- (b) a sanctions event occurs in relation to any noteholder and this allows any noteholder to require prepayment by LondonMetric at par of any affected notes plus any accrued interest and any swap breakage amount applicable; and/or
- (c) any person or group of persons acting in concert gains control of LondonMetric pursuant to which note holders determine that LondonMetric should prepay the notes at par plus any accrued interest and any swap breakage amount applicable.

LondonMetric may, if it gives each holder of notes not less than 30 days and not more than 60 days prior notice, prepay at any time all or any part of the notes at 100 per cent. of the principal amount so prepaid, plus the make-whole amount (calculated using an applicable percentage of 50 bps and in accordance with the terms of the 2016 NPA) and any swap breakage amount applicable.

The events of default in the 2016 NPA include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency.

(ix) Canada Life Facility

On 9 November 2015, IRP Holdings Limited as borrower entered into an English law governed secured £90,000,000 term loan facility agreement (as amended from time to time) between, amongst others, IRP Holdings Limited and Canada Life Asset Management Limited as agent for the Finance Parties (the “**Canada Life Facility**”). IPT Property Holdings Limited acceded to the terms of the Canada Life Facility as borrower pursuant to the terms of a letter dated 25 October 2023. The facility agent under the Canada Life Facility is now Canada Life European Real Estate Limited.

The Canada Life Facility has a term of 11 years. The availability period ended on 13 November 2015, so no further utilisations can be made.

The events of default in the Canada Life Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. A prepayment event will occur if LondonMetric ceases to be listed on the official list of the Financial Conduct Authority or ceases to be a UK-REIT. The borrower may, if it gives the facility agent not less than 15 Business Days’ prior notice, prepay the whole or any part of the facility, provided that it also pays a redemption fee, calculated in accordance with the terms of the Canada Life Facility.

The rate of interest per annum applicable to each loan made pursuant to the Canada Life Facility is calculated as the aggregate of:

- (i) a margin (1.30 per cent. per annum); and
- (ii) the “Reference Gilt Rate” fixed at the time of the utilisation of the Canada Life Facility, (such aggregate rate being 3.36 per cent. per annum).

(x) **AJM Scottish Widows Facility**

On 20 December 2016 A & J Mucklow Group Limited and A & J Mucklow (Investments) Limited as borrowers and certain other affiliates entered into an English law governed secured £60,000,000 term loan facility agreement (as amended from time to time) between, amongst others, A & J Mucklow (Investments) Limited, Scottish Widows Limited as lender and Lloyds Bank as agent and security agent (the “**AJM Scottish Widows Facility**”). Lloyds Bank is the facility agent under the AJM Scottish Widows Facility.

The AJM Scottish Widows Facility has a term which expires on 22 December 2031. The availability period ended in 2016, so no further utilisations can be made.

The events of default in the AJM Scottish Widows Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. A prepayment event will occur if LondonMetric ceases to be admitted to (i) the official list maintained by the Financial Conduct Authority and (ii) trading on the London Stock Exchange or if it ceases to be a UK-REIT. The borrower may, if it gives the Facility Agent not less than 20 Business Days’ prior notice, prepay the whole or any part of the facility, provided that it also pays the lender’s “spens costs” (calculated in accordance with the terms of the AJM Scottish Widows Facility).

The rate of interest per annum applicable to each loan made pursuant to the AJM Scottish Widows Facility is calculated as the aggregate of:

- (i) a margin of 2.00 per cent. per annum in respect of facility “A” and 1.90 per cent. per annum in respect of facility “B”; and
- (ii) the fixed rate, being 1.5080 per cent. per annum in respect of facility “A” and a rate calculated in 2018 as being the mid-market swap rate at such time in respect of facility “B”.

15.2 **LXi material contracts**

15.2.1 The following is a summary of each contract that has been entered into by members of the LXi Group otherwise than in the ordinary course of business:

- (a) in the two years immediately preceding the Latest Practicable Date and which is, or may be, material to the LXi Group; or
- (b) otherwise than in the two years immediately preceding the date of this document which contain any provision under which any member of the LXi Group has any obligation or entitlement which is material to the LXi Group, as at the date of this document.

15.2.2 *Contracts relating to financing*

(i) **LXi Scottish Widows Facility 1**

On 30 June 2017 LXi Property Holdings 1 Limited as borrower and certain other affiliates as guarantors entered into an English law governed secured £55,000,000 term loan facility agreement (as amended from time to time) between, amongst others, LXi Property Holdings 1 Limited, Scottish Widows Limited as lender and Lloyds Bank as agent and security agent (the “**LXi Scottish Widows Facility 1**”). Lloyds Bank is the facility agent under the Scottish Widows Facility 1.

The LXi Scottish Widows Facility 1 has a term which expires on 12 December 2033. The availability period has ended, so no further utilisations can be made.

The events of default in the LXi Scottish Widows Facility 1 include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. The LXi Scottish Widows Facility 1 was amended on 9 January 2024 pursuant to an amendment letter made between, amongst others, the borrower and the agent such that a prepayment event will not occur if the share capital of LXi ceases to be listed for trading on the London Stock Exchange. The borrower may, if it gives the facility agent not less than 10 Business Days' prior notice, prepay the whole or any part of the facility, provided that it also pays the lender's "spens costs" (calculated in accordance with the terms of the LXi Scottish Widows Facility 1).

The rate of interest per annum applicable to each loan made pursuant to the LXi Scottish Widows Facility 1 is a fixed rate of 2.7388 per cent. per annum.

The LXi Scottish Widows Facility 1 is fully cross-collateralised with the LXi Scottish Widows Facility 2 and LXi Scottish Widows Facility 3 (each as defined below).

(ii) LXi Scottish Widows Facility 2

On 8 December 2017 LXi Property Holdings 1 Limited as borrower and certain other affiliates as guarantors entered into an English law governed secured £40,000,000 term loan facility agreement (as amended from time to time) between, amongst others, LXi Property Holdings 1 Limited, Scottish Widows Limited as lender and Lloyds Bank as agent and security agent (the "**LXi Scottish Widows Facility 2**"). Lloyds Bank is the facility agent under the LXi Scottish Widows Facility 2.

The LXi Scottish Widows Facility 2 has a term which expires on 12 December 2033. The availability period has ended, so no further utilisations can be made.

The events of default in the LXi Scottish Widows Facility 1 include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. The LXi Scottish Widows Facility 2 was amended on 9 January 2024 pursuant to an amendment letter made between, amongst others, the borrower and the agent such that a prepayment event will not occur if the share capital of LXi ceases to be listed for trading on the London Stock Exchange. The borrower may, if it gives the facility agent not less than 10 Business Days' prior notice, prepay the whole or any part of the facility, provided that it also pays the lender's "spens costs" (calculated in accordance with the terms of the LXi Scottish Widows Facility 2).

The rate of interest per annum applicable to each loan made pursuant to the LXi Scottish Widows 2 Facility is a fixed rate of 2.7388 per cent. per annum.

The LXi Scottish Widows Facility 2 is fully cross-collateralised with the LXi Scottish Widows Facility 1 and LXi Scottish Widows Facility 3 (defined below).

(iii) LXi Scottish Widows Facility 3

On 7 December 2018 LXi Property Holdings 3 Limited as borrower and certain other affiliates as guarantors entered into an English law governed secured £75,000,000 term loan facility agreement (as amended from time to time) between, amongst others, LXi Property Holdings 3 Limited, Scottish Widows Limited as lender and Lloyds Bank as agent and security agent (the "**LXi Scottish Widows Facility 3**"). Lloyds Bank is the facility agent under the LXi Scottish Widows Facility 3.

The LXi Scottish Widows Facility 3 has a term which expires on 12 December 2033. The availability period has ended, so no further utilisations can be made.

The events of default in the LXi Scottish Widows Facility 3 include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency.

The LXi Scottish Widows Facility 3 was amended on 9 January 2024 pursuant to an amendment letter made between, amongst others, the borrower and the agent such that a prepayment event will not occur if the share capital of LXi ceases to be listed for trading on the London Stock Exchange. The borrower may, if it gives the facility agent not less than 10 Business Days' prior notice, prepay the whole or any part of the facility, provided that it also pays the lender's "spens costs" (calculated in accordance with the terms of the LXi Scottish Widows Facility 3).

The rate of interest per annum applicable to each loan made pursuant to the LXi Scottish Widows 3 Facility is a fixed rate of 2.9909 per cent. per annum.

The LXi Scottish Widows Facility 3 is fully cross-collateralised with the LXi Scottish Widows Facility 1 and LXi Scottish Widows Facility 2.

(iv) LXi 2023 Syndicated Facility Agreement

On 13 April 2023, LXi Finco 2 Limited as borrower entered into an English law governed secured £565,000,000 term loan and revolving facility agreement (as amended from time to time) between, amongst others, LXi Finco 2 Limited as borrower, Lloyds Bank, Barclays, and The Royal Bank of Scotland as mandated lead arrangers and Lloyds Bank as agent and security agent (the "**LXi 2023 Syndicated Facility**"). Lloyds Bank is the facility agent under the 2023 Syndicated Facility.

The borrower may, by giving written notice, request (an accordion increase request) that the total revolving commitments under the LXi 2023 Syndicated Facility be increased by a minimum of £50 million, subject to a maximum aggregate increase of £100 million.

The facility "B" term loan (£250,000,000) is repayable in January 2026 and the facility "A" term loan (£115,000,000) and the revolving "C" facility (£200,000,000) are both repayable in January 2028. The borrower may request an extension of the termination date of facilities "A" and "C" for one year and then for a further one year (an extension of 2 years in total). The availability periods for both term loan facilities have ended and no further utilisations may be made. The revolving "C" facility is available until one month prior to the final repayment date of that facility.

The events of default in the LXi 2023 Syndicated Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. A prepayment event will occur if any person or group of persons acting in concert gains control of LXi or if LXi ceases to be listed on the London Stock Exchange's Main Market.

At any time, prepayment or cancellation of the whole or any part of the facility can be made with (i) 10 SONIA Banking Days' notice for prepayment of the term loan facilities and (ii) 5 SONIA Banking Days' notice for prepayment of the revolving facility and (iii) 10 Business Days' notice to cancel all or any part of the available facility.

The rate of interest per annum applicable to each loan made pursuant to the LXi 2023 Syndicated Revolving Facility is calculated as the aggregate of:

- (i) a minimum margin between 2.15 per cent. per annum in respect of Facility "B" loan and a minimum margin of 2.30 per cent. per annum in respect of the Facility "A" and Facility "C" term loans; and
- (ii) daily non-cumulative compounded SONIA.

The borrower shall pay a commitment fee computed at a rate of 50 per cent. of the applicable margin for the revolving facility.

The LXi 2023 Syndicated Facility contains provisions whereby the borrower and the agent may agree provisions such that the facilities can be classified as sustainability-linked facilities.

(v) LXi AIG Facility

On 25 September 2015 SIR Healthcare 2 Limited as borrower and certain affiliates acting as guarantors entered into an English law governed secured £315,600,000 term loan facility agreement (as amended from time to time) between, among others, SIR Healthcare 2 Limited, AIG Asset Management (Europe) Limited as Mandated Lead Arranger and CBRE Loan Servicing Limited as agent and security agent (the “**LXi AIG Facility**”).

The LXi AIG Facility has an initial term of 10 years from 2 October 2015 (being the initial utilisation date) but the borrower has the option to request to extend it by 90 days. The availability period has ended so no further utilisations can be made.

The events of default in the LXi AIG Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. The borrower may, if it gives the facility agent not less than 15 Business Days’ prior notice, prepay the whole or any part of the facility, provided that it pays the prepayment fee set out in the LXi AIG Facility.

The rate of interest per annum applicable to each loan made pursuant to the LXi AIG Facility is calculated as the aggregate of:

- (i) a margin (3.5 per cent. per annum); and
- (ii) the Fixed Rate (1.796 per cent. per annum).

(vi) LXi L&G Facility

On 7 September 2015 SIR Hospitals Propco Limited as borrower and certain subsidiaries acting as guarantors entered into an English law governed £220,000,000 term loan facility agreement (as amended from time to time) between, among others, LGIM Commercial Lending Limited as Arranger and Capita Asset Services (Ireland) Limited as agent (the “**LXi L&G Facility**”).

The LXi L&G Facility has a term of 10 years. The availability period has ended so no further utilisations can be made.

The events of default in the LXi L&G Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. The borrower may, if it gives the facility agent not less than 15 Business Days’ prior notice, prepay the whole or any part of the facility, provided that it pays the prepayment fee set out in the LXi L&G Facility.

The rate of interest per annum applicable to each loan made pursuant to the LXi L&G Facility is calculated as the aggregate of:

- (i) a margin (2.50 per cent); and
- (ii) a fixed rate of 1.79 per cent. per annum.

(vii) LXi Canada Life Facility

On 2 March 2023 LXi Finco 1 Limited as borrower and certain subsidiaries acting as guarantors entered into an English law governed secured £148,008,000 term loan facility agreement (as amended from time to time) between, among others, LXi Finco 1 Limited as borrower, Canada Life Asset Management Limited as Arranger and Canada Life European Real Estate Limited as agent and security agent (the “**LXi Canada Life Facility**”).

The term of the LXi Canada Life Facility ends on 29 April 2029. The availability period has ended so no further utilisations can be made.

The events of default in the LXi Canada Life Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. A

prepayment event will occur if LXi ceases to be a UK real estate investment trust listed on the London Stock Exchange. The borrower may, if it gives the facility agent not less than 15 Business Days' prior notice, prepay the whole or any part of the facility, provided that it pays the redemption fee set out in the LXi Canada Life Facility.

The rate of interest per annum applicable to each loan made pursuant to the Canada Life Facility is calculated as the aggregate of:

- (i) a margin of 1.75 per cent.; and
- (ii) the Reference Gilt Rate on the utilisation date,

subject to a minimum aggregate interest rate of 1.80 per cent. per annum.

(viii) LXi HSBC Facility

On 29 June 2018 SIR Maple 2 Limited and SIR Maple 3 Limited as borrowers and certain affiliates entered into an English law governed secured £60,000,000 term loan facility agreement (as amended from time to time) between, amongst others, SIR Maple 2 Limited, SIR Maple 3 Limited and MIF I Unit Trust (acting by its trustees) as borrowers and HSBC as mandated lead arranger, agent and security agent (the "**LXi HSBC Facility**"). The facility agent under the LXi HSBC Facility is HSBC.

The LXi HSBC Facility's term ends on 29 December 2026 but the borrowers have an option to request to extend the term by a period of 6 months. The availability period has ended so no further utilisations can be made.

The events of default in the LXi HSBC Facility include, but are not limited to, non-payment, breach of other obligations, cross default and insolvency. A prepayment event will occur if any person or group of persons acting in concert gains control of any obligor or LXi. A borrower may, if it gives the facility agent not less than 5 Business Days' prior notice, prepay the whole or any part of the facility, provided that, if such prepayment is made before 10 November 2024, it also pays a prepayment fee of 1 per cent., of the amount prepaid.

The rate of interest per annum applicable to each loan made pursuant to the LXi HSBC Facility is calculated as the aggregate of:

- (i) a margin (2.05 per cent); and
- (ii) daily non-cumulative compounded SONIA.

The LXi HSBC Facility contains a right for the obligor's agent to request that the facilities be classified as sustainability-linked facilities, subject to certain conditions.

15.2.3 *Other material contracts*

(i) LXi Investment Management Agreement

The amendment and restatement agreement dated 11 May 2022 between LXi and Alvarium Fund Managers (UK) Limited ("**LXi AIFM**") pursuant to which the LXi AIFM is appointed to act as investment manager and the alternative investment fund manager to LXi.

Pursuant to the agreement, the LXi AIFM is responsible for managing the assets of LXi in accordance with the investment policy of LXi and subject to the overall policies and communicated directions of the Board.

Under the agreement, the LXi AIFM is entitled to a fee of £24,000 per annum in respect of its services provided under the LXi Investment Management Agreement. The fee is subject to annual review.

The LXi Investment Management Agreement may be terminated on 12 months' written notice by either party. Alternatively, the LXi Investment Management Agreement may be terminated with immediate effect on the occurrence of certain

events, including insolvency or in the event of a material and continuing breach. The LXi Investment Management Agreement will terminate immediately in the event of termination of the LXi Investment Advisory Agreement.

LXi has given an indemnity in favour of the LXi AIFM in respect of any of its potential losses in carrying on its responsibilities under the LXi Investment Management Agreement, except as may arise directly from the fraud, wilful default or gross negligence of the LXi AIFM or directly from any material breach of the LXi Investment Management Agreement by the LXi AIFM or a material breach of a material FCA rule by the LXi AIFM.

The LXi Investment Management Agreement is governed by English law.

(ii) LXi Investment Advisory Agreement

The amendment and restatement agreement dated 11 May 2022 between LXi, the AIFM and LXi REIT Advisors Limited (the “**LXi Investment Adviser**”), pursuant to which the LXi Investment Adviser is appointed to provide certain services to LXi and the LXi AIFM in relation to LXi and its portfolio.

Pursuant to the LXi Investment Advisory Agreement, the LXi Investment Adviser will be entitled to receive from LXi in respect of its services provided to LXi and the LXi AIFM, a fee payable monthly in arrears calculated at the rate of: (i) one-twelfth of 0.75 per cent. per calendar month of LXi’s Market Capitalisation up to or equal to £500 million; (ii) one-twelfth of 0.65 per cent. per calendar month of LXi’s Market Capitalisation above £500 million; and (iii) one-twelfth of 0.55 per cent. per calendar month of Market Capitalisation above £2 billion.

Pursuant to the LXi Investment Advisory Agreement, the services of the LXi Investment Adviser are provided on an exclusive basis and the LXi Investment Adviser is not permitted to render similar services to third parties without the Board’s prior written consent, save for services provided to certain funds managed by Osprey Equity Partners Limited in respect of any investments made by them prior to 11 May 2022, being the date of entry into the LXi Investment Advisory Agreement. As at the Latest Practicable Date, no such Board consent has been given. Furthermore, LXi has a right of first refusal over any property acquisition services in relation to any long index-linked asset(s) falling within LXi’s Investment Policy and investment objective, and in respect of which, the reasonably estimated aggregate consideration or commitment involved is likely to be in excess of £5 million.

The LXi Investment Advisory Agreement has an initial term of 5 years. Thereafter the LXi Investment Advisory Agreement may be terminated on 12 months’ written notice. Alternatively, the LXi Investment Advisory Agreement may be terminated with immediate effect on the occurrence of certain customary events, including insolvency of LXi, the LXi AIFM or the LXi Investment Adviser or in the event of a material and continuing breach. The LXi Investment Advisory Agreement may also be terminated if a “**Key Person Event**” occurs. A Key Person Event will be deemed to occur if any two of the key persons (being Simon Lee, John White and Alex MacEachin) (a) cease to be an officer or employee of the LXi Investment Adviser’s group or (b) cease to be actively involved in the provision of the LXi Investment Adviser’s services under the LXi Investment Advisory Agreement which have not been delegated, and within three months of the relevant departure date or the date on which such active involvement can reasonably be determined to have ceased, they are not replaced by a person or persons whom the Board considers, in its reasonable discretion, to be of equal or satisfactory standing.

LXi has given an indemnity in favour of the LXi Investment Adviser in respect of the its’ potential losses in carrying on its responsibilities under the LXi Investment Advisory Agreement, except as shall arise from the fraud, wilful default or gross

negligence of the LXi Investment Adviser or any material breach of the LXi Investment Advisory Agreement by the LXi Investment Adviser or a material breach of a material FCA rule by the LXi Investment Adviser.

The LXi Investment Advisory Agreement is governed by English law.

(iii) LXi Depositary Agreement

The framework depositary agreement dated 6 February 2017 entered into between the LXi Depositary, LXi and the LXi AIFM (the “**LXi Depositary Agreement**”), pursuant to which the safekeeping of the LXi’s assets is entrusted to the LXi Depositary who is required to provide depositary services to LXi in fulfilment of the requirements of the AIFM Rules. The LXi Depositary is also responsible for ensuring that LXi’s cash flows are properly monitored and for reviewing the LXi AIFM’s cash monitoring procedures.

The LXi Depositary Agreement was initially entered into between the LXi Depositary, LXi and LJ Capital Limited (then the AIFM to LXi). Following the successful completion of LXi’s IPO, LJ Capital Limited ceased to act as AIFM to LXi and, accordingly, a deed of novation dated 6 February 2018 was entered into between the LXi Depositary, LXi, LJ Capital Limited and LXi pursuant to which the parties agreed that the rights, obligations and liabilities of LJ Capital Limited under the LXi Depositary Agreement were novated to LXi.

The LXi Depositary may delegate some of its custody functions to a custodian, who in turn may further sub delegate to a sub-custodian, wherever permissible, in accordance with applicable law.

In consideration for its services, the LXi Depositary is entitled to receive a fee of £32,500 per annum and an additional fee of 0.3 basis points per annum on any capital raised by LXi in excess of £250 million. In addition, the LXi Depositary is entitled to receive transaction fees where the number of property acquisitions in a calendar year exceeds eight.

The LXi Depositary Agreement contains provisions to allow for its termination by any party on not less than six months’ prior written notice to each other party, or immediately in the case of certain specified circumstances, including material and continuing breach or insolvency.

The LXi Depositary Agreement contains certain customary undertakings and indemnities by LXi and the LXi AIFM in favour of the LXi Depositary.

The Depositary Agreement is governed by the laws of England and Wales.

(iv) The LXi Administration Agreement

The administrator agreement dated 6 February 2017 between LXi and the LXi Administrator and the letters of variation dated 8 June 2017 and 15 February 2019 (the “**LXi Administration Agreement**”), pursuant to which the LXi Administrator is appointed to perform certain accounting, administration and related services.

The LXi Administrator is permitted under the LXi Administration Agreement to delegate any of its duties to: (i) an associate of the LXi Administrator; or (ii) subject to the prior written consent of LXi (such consent not to be unreasonably withheld) any other person, provided that the LXi Administrator remains liable for the acts and/or omissions of such person as if they were its own acts and/or omissions.

The LXi Administration Agreement is terminable by either party on three months’ notice in writing, and may be terminated immediately by either party in certain situations, including in the event of insolvency of the other party.

In consideration for its administration services, the LXi Administrator is currently entitled to receive an annual fee of £190,00 plus a variable fee of 1.25bps for NAV in excess of £700 million. Any additional services provided by the LXi Administrator will incur additional charges.

The LXi Administrator's total liability in relation to the provision of the administration services or otherwise in relation to the operation of the LXi Administration Agreement, whether in contract, tort, or for misrepresentation or otherwise shall be limited to three times the fees payable to it under the agreement.

The LXi Administration Agreement contains certain customary covenants, undertakings and indemnities by LXi in favour of the LXi Administrator.

The LXi Administration Agreement is governed by the laws of England and Wales.

16. WORKING CAPITAL

LondonMetric is of the opinion that, having regard to the existing bank and other facilities available to the LondonMetric Group, the working capital of the LondonMetric Group is sufficient for its present requirements, that is, for at least 12 months from the date of this document.

LondonMetric is of the opinion that, having regard to the existing bank and other facilities available to the Combined Group, the working capital of the Combined Group is sufficient for its present requirements, that is, for at least 12 months from the date of this document.

17. SIGNIFICANT CHANGE

17.1 *LondonMetric Group*

There has been no significant change in the financial position or financial performance of the LondonMetric Group since 30 September 2023, being the end of the last financial period for which interim financial information has been published.

17.2 *LXi Group*

Save as disclosed below, there has been no significant change in the financial position or financial performance of the LXi Group since 30 September 2023, being the end of the last financial period for which interim financial information has been published.

The following significant changes in both the financial position and the financial performance of the LXi Group have taken place since 30 September 2023:

On 8 January 2024, the LXi Group unconditionally exchanged on the sale of 66 Travelodge branded hotels to the Travelodge group which is scheduled to complete on 28 February 2024. The consideration of £210 million is in line with the latest book value as at 30 September 2023.

18. TAXATION

The tax legislation of a Shareholder's or potential investor's home country and of the UK may have an impact on the income received from the Ordinary Shares.

The information below, which is of a general nature only and which relates only to United Kingdom taxation, is applicable to LondonMetric and its subsidiaries and (except where indicated) to persons who are resident (and in the case of individuals, domiciled) for tax purposes solely in the United Kingdom (and not Scottish taxpayers) and who hold Ordinary Shares as an investment. It is based on existing law and generally published HMRC practice as at the date of this Prospectus, both of which are subject to change (possibly with retrospective effect) and the latter of which cannot necessarily be relied upon. Any change in the tax status of LondonMetric or its subsidiaries or in taxation legislation in the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by LondonMetric or its subsidiaries or affect LondonMetric's ability to achieve its investment objective for the Ordinary Shares or alter the post-

tax returns to Shareholders. You are strongly recommended to consult your own professional adviser in relation to any investment in LondonMetric.

In particular, Shareholders or investors should consult their own tax advisors concerning the United States federal, state and local income tax consequences in their particular situations of the purchase, ownership and disposition of the Ordinary Shares, as well as any consequences under the laws of any other taxing jurisdiction. Shareholders or investors who are United States taxpayers should be aware that LondonMetric or the Combined Group may be treated as a passive foreign investment company for United States federal income tax purposes, as defined in Section 1297 of the US Tax Code. If LondonMetric or the Combined Group qualifies as a passive foreign investment company in any taxable year, a US holder of the Ordinary Shares generally will be required to treat any excess distribution received on such securities, or any gain realised upon the disposition of those securities, as ordinary income, and to pay an interest charge on a portion of such distribution or gain. In addition, if LondonMetric or the Combined Group is considered a PFIC, US shareholders will be subject to rules similar to those described above with respect to their indirect ownership of any subsidiaries of the Combined Group that are themselves PFICs. Dividends received by a non-corporate US shareholder will not be eligible for the reduced tax rates applicable to qualified dividends if the Combined Group is a PFIC in the year in which the dividend is paid or the preceding year. Prospective investors should assume that a “qualified electing fund” election, which, if made, could serve as an alternative to the general PFIC rules and could reduce any adverse consequences to US taxpayers if the Combined Group were to be classified as a PFIC, will not be available because the Combined Group does not expect to provide the information needed to make such an election. A “mark-to-market” election may be available, however, if the Ordinary Shares are regularly traded, but the election would not apply to a US investor’s indirect interests in any PFIC subsidiaries of the Combined Group.

18.1 **United Kingdom taxation relating to the Scheme**

18.1.1 *UK taxation on chargeable gains*

(a) Acquisition of New Ordinary Shares

To the extent that a Scheme Shareholder receives New Ordinary Shares in exchange for Scheme Shares and does not hold (either alone or together with persons connected with him, her or it) more than five per cent. of, or of any class of, shares in or debentures of LXi, he, she or it will not be treated as having made a disposal of his, her or its Scheme Shares. Instead, the New Ordinary Shares will be treated as the same asset as those shares in respect of which he, she or it received the New Ordinary Shares, acquired at the same time and for the same consideration as those shares.

Any Scheme Shareholder who holds (either alone or together with persons connected with him, her or it) more than five per cent. of, or of any class of, shares in or debentures of LXi may be eligible for the treatment described in the preceding paragraph only if the transaction is effective for *bona fide* commercial reasons and not for tax avoidance. LXi has obtained clearance from HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 confirming that HMRC is satisfied that the Scheme will be effected for bona fide commercial reasons and will not form part of any scheme or arrangements with a main purpose of avoiding tax.

(b) Disposal of New Ordinary Shares

A subsequent disposal of New Ordinary Shares may, depending on the circumstances of the person making the disposal (including the availability of any exemptions and allowable losses), give rise to a liability to UK taxation of chargeable gains.

Any chargeable gain or allowable loss on a disposal of New Ordinary Shares should be calculated taking into account a proportion of the allowable cost to the holder in acquiring his, her or its Scheme Shares.

Additionally, for corporate Scheme Shareholders, when calculating a chargeable gain but not an allowable loss, indexation allowance up to 31 December 2017 on that amount of the original allowable cost should be added.

See also paragraph 18.3.4(a).

- (c) Scheme Shareholders receiving cash on sale of fractional entitlements to New Ordinary Shares.

To the extent that a Scheme Shareholder receives cash in respect of the sale of fractional entitlements to New Ordinary Shares under the Scheme, and the amount of cash received is small in comparison with the value of his, her or its Scheme Shares and the allowable cost attributable to his, her or its Scheme Shares is equal to or greater than the amount of such cash received, the Scheme Shareholder will not be treated as having disposed of the Scheme Shares in respect of which the cash was received. Instead, an amount equal to the amount of such cash will be deducted from the allowable cost of his, her or its New Ordinary Shares. Under current HMRC practice, any cash payment of £3,000 or less or (if greater) which is 5 per cent. or less of the market value of a Scheme Shareholder's holding of Scheme Shares immediately prior to disposal will generally be treated as small for these purposes.

In all other cases where a Scheme Shareholder receives cash as a result of the sale of aggregated fractions of Scheme Shares, the Scheme Shareholder will be treated as having made a part disposal of his or her (or its) Scheme Shares, with the chargeable gain being computed on the basis of an apportionment of the allowable cost of the holding by reference to the market value of the holding at the time of disposal.

Depending on the Scheme Shareholder's circumstances (including the availability of exemptions or allowable losses), that may give rise to a liability to UK capital gains tax or UK corporation tax on chargeable gains (as applicable).

18.1.2 *UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

See generally paragraph 18.3.4(b) below.

No stamp duty or SDRT will arise in respect of the issue of the New Ordinary Shares to Scheme Shareholders.

Stamp duty will be payable at the rate of 0.5 per cent. in respect of the transfer of the Scheme Shares to LondonMetric. It will be payable on the aggregate of any cash consideration paid to the Scheme Shareholders and the market value of the New Ordinary Shares issued to such Scheme Shareholders. The market value is usually taken as the closing price on the date of issue. However, where the relevant exchange provides two closing prices for the stock or security that is being valued (as is the case with stocks or securities included in the Official List, and may also be the case in certain other foreign stock exchanges), the closing price means the lower of the two prices plus one-half of the difference between the two prices, i.e. the mid-point between the closing "buy" and "sell" prices quoted on the relevant date. If the relevant exchange is not open on the date of valuation, the valuation is determined as summarised above on the latest previous day on which the exchange was open.

Payment of stamp duty will frank any liability to SDRT.

18.2 ***Taxation of LondonMetric and its subsidiaries under UK-REIT Status***

UK taxation

- 18.2.1 As a UK-REIT, the Combined Group does not pay UK direct tax on profits and gains from the Property Rental Business. Corporation tax still applies in the normal way in respect of the Residual Business. Corporation tax could also be payable were an interest in an entity

such as a company or unit trust to be sold where the assets of the entity to be sold partly comprise Residual Business assets.

- 18.2.2 A tax charge can arise to LondonMetric if the Combined Group breaches certain UK-REIT rules, for example if dividends are paid to Substantial Shareholders or if the quantum of the financing costs in respect of LondonMetric Group's borrowings cause it to breach the profit to finance cost ratio.

18.3 ***Taxation of Shareholders under UK-REIT Status***

18.3.1 *Introduction*

The following paragraphs are intended as a general guide only and are based on LondonMetric's understanding of current UK tax law and generally published HMRC practice, both of which are subject to change (possibly with retrospective effect) and the latter of which cannot necessarily be relied upon. They are not advice.

The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of PIDs and Non-PID Dividends paid by LondonMetric, and to disposals of shares in LondonMetric, in each case, after the Merger becomes Effective. Except where otherwise indicated, they apply only to Shareholders who are resident (and in the case of individuals, domiciled for tax purposes) solely in the United Kingdom and not Scottish taxpayers. They apply only to Shareholders who are the absolute beneficial owners of both their PIDs and their Ordinary Shares and who hold their Ordinary Shares as investments. They do not apply to Substantial Shareholders. They do not apply to certain categories of Shareholders, such as dealers in securities or distributions, persons who have or are deemed to have acquired their shares by reason of their or another's employment, persons who hold their shares as part of hedging or conversion transactions, or persons who hold their shares in connection with a UK branch, agency or permanent establishment. Except where otherwise indicated at paragraph 18.3.2(d) below, they do not apply to persons holding Ordinary Shares by virtue of an interest in any partnerships, insurance companies, life insurance companies, mutual companies, collective investment schemes, charities, trustees, local authorities, or pension scheme administrators.

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

18.3.2 *UK taxation of PIDs*

(a) UK taxation of individual Shareholders

Subject to certain exceptions, a PID is generally treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate UK property business from any other UK property business (a "different UK property business") carried on by the relevant Shareholder. This means that surplus expenses from a Shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the Shareholder's UK property business.

Based on the 2023/24 tax rates, a Shareholder who is subject to income tax at the basic rate will be liable to pay income tax at 20 per cent. on the PID. Higher rate taxpayers will be subject to tax at 40 per cent. and additional rate taxpayers at 45 per cent. No dividend tax credit will be available in respect of PIDs. However, credit will be available in respect of the basic rate tax withheld by LondonMetric (where required) on the PID.

It is not possible to utilise the £1,000 property allowance (a tax exemption for certain property income of up to £1,000 a year) against PID income.

Shareholders who are Scottish taxpayers should seek specific tax advice in respect of PIDs received from LondonMetric.

Please see also paragraph 18.3.2(d) below.

(b) UK taxation of corporate Shareholders

Subject to certain exceptions, a PID is generally treated in the hands of Shareholders who are within the charge to corporation tax as profit of a UK property business (as defined in section 205 of the Corporation Tax Act 2009). This means that, subject to the availability of any exemptions or reliefs, such Shareholders should be liable to corporation tax on income on the entire amount of their PID. A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate UK property business from any other UK property business (a “different UK property business”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s different UK property business cannot be off-set against a PID as part of a single calculation of the Shareholder’s UK property profits.

Please see also paragraph 18.3.2(d) below.

(c) UK taxation of Shareholders who are not resident for tax purposes in the UK

Where a Shareholder who is resident outside the UK receives a PID, the PID is generally chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding.

Please see also paragraph 18.3.2(d) (Withholding) below.

(d) Withholding tax

(i) *General*

Subject to certain exceptions summarised at paragraph 18.3.2(d)(iv) below, LondonMetric is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs. LondonMetric will provide Shareholders with a certificate setting out the amount of tax withheld.

(ii) *Shareholders solely resident in the UK*

Where income tax has been withheld at source, Shareholders who are individuals may, depending on their circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates may, depending upon their circumstances, be liable to pay corporation tax on their PID but they should note that, where income tax is withheld at source, the tax withheld can be set against the Shareholder’s liability to corporation tax in the accounting period in which the PID is received.

(iii) *Shareholders who are not resident for tax purposes in the UK*

It is not possible for a Shareholder to make a claim under a double taxation treaty for a PID to be paid by LondonMetric gross or at a reduced rate. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any such double taxation treaty between the UK and the country in which the Shareholder is resident.

(iv) *Exceptions to requirement to withhold income tax*

Shareholders should note that in certain circumstances LondonMetric may not withhold income tax at source from a PID. These include where LondonMetric reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK, a charity, or a body mentioned in section 468 CTA 2010 which is allowed the same exemption from tax as a charity. They also include where LondonMetric reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, or the sub- scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP), or the account provider of a child trust fund, in each case, provided LondonMetric reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

LondonMetric is not required to withhold income tax at source from a PID where LondonMetric reasonably believes that the body beneficially entitled to the PID is a partnership each member of which is a body described in the paragraph above.

In order to pay a PID without withholding tax, LondonMetric will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose LondonMetric will require such Shareholders to submit a valid claim form.

18.3.3 *UK taxation of Non-PID Dividends*

No withholding tax is imposed on Non-PID Dividends.

Non-PID Dividends paid by LondonMetric are taxed in the same way as dividends paid by LondonMetric had it not entered the UK-REIT regime, whether in the hands of individual or corporate Shareholders and regardless of whether the Shareholder is resident for tax purposes in the UK.

(a) *Individuals*

A Shareholder who is an individual resident for UK tax purposes in the UK and who receives a Non-PID Dividend from LondonMetric will be entitled to a dividend nil rate band in the form of a 0 per cent. tax rate currently (2023/2024 tax year) on the first £1,000 of dividend income per year. UK resident individual Shareholders will pay tax on any dividends received over the dividend nil rate band at the following rates: 8.75 per cent. to the extent that the dividend income falls within the basic rate band, 33.75 per cent. to the extent that the dividend income falls within the higher rate band, and 39.35 per cent. to the extent that the dividend income exceeds the higher rate band. Whilst dividends within the dividend nil rate band should be tax free, these dividends will still count towards the threshold for the purposes of applying the basic rate, higher rate and additional rate tax bands. Scottish taxpayer Shareholders may wish to consult their own professional advisers if they are in any doubt as to their tax position in respect of dividends.

(b) *Companies*

Non-PID Dividends received by a UK company from another UK resident company are taxable subject to a number of exemptions. It is expected that generally one of these exemptions would apply to exempt a UK resident corporate shareholder from tax on the receipt of any Non-PID Dividend received from LondonMetric, although whether an exempt class applies and whether the other conditions for exemption are met will depend on the circumstances of the particular Shareholder.

(c) Non UK tax-residents

Non-UK resident Shareholders may be liable to foreign taxation on Non-PID Dividends paid by LondonMetric. Such Shareholders should consult their own tax advisers concerning their tax liabilities on Non-PID Dividends received from LondonMetric. Non-UK resident individual Shareholders are treated as having paid tax at the dividend ordinary rate of 8.75 per cent. on Non-PID Dividends received. However, this tax that is treated as having been paid is not repayable.

18.3.4 *UK taxation of chargeable gains, stamp duty and stamp duty reserve tax ("SDRT") in respect of shares in LondonMetric*

(a) UK taxation of chargeable gains

The disposal (or deemed disposal) by a Shareholder of all or part of the Ordinary Shares issued to him may, depending on the Shareholder's circumstances, render him liable to UK tax on capital gains.

A disposal by a Shareholder within the charge to UK capital gains tax, such as an individual, trustee or personal representative, will, subject to the availability to the Shareholder of any exemptions, reliefs and/or allowable losses, be subject to tax on any gain. The 2023/2024 capital gains tax rate for share disposals is 10 per cent. where an individual is subject to income tax at the basic rate and any chargeable gain does not exceed the unused part of their basic rate income tax band which is currently set at £50,270. Where an individual is subject to income tax at the basic rate but any chargeable gain exceeds the unused part of their basic rate income tax band, the rate of capital gains tax on the excess is 20 per cent. The rate of capital gains tax for individuals who are higher or additional rate taxpayers is 20 per cent. UK resident trustees and personal representatives will generally be subject to capital gains tax at a rate of 20 per cent.

Shareholders who are individuals who are temporarily non-UK resident (for a period of five years or less) may, in certain circumstances under anti-avoidance legislation, be subject to tax on their return to the UK in respect of gains realised whilst they are not resident in the UK.

Any gain on a disposal by a Shareholder within the charge to UK corporation tax, such as a company or unincorporated association other than a partnership will, subject to the availability to the Shareholder of any exemptions, reliefs and/or allowable losses, be subject to corporation tax at the rate applicable to that Shareholder.

Capital gains derived on disposal of their Ordinary Shares by Shareholders who are not resident in the UK will generally be liable to UK tax. Subject to the availability to the Shareholder of any exemption, relief (including any applicable double taxation agreements) and/or allowable losses they should be subject to UK tax in the same way as set out above. However, only gains arising since 6 April 2019 should be chargeable.

Shareholders who are resident for tax purposes outside the UK may be subject to foreign taxation on capital gains depending on their circumstances.

(b) UK stamp duty and SDRT

Where Ordinary Shares are issued there is no charge to stamp duty or SDRT.

Subject to an exemption for certain low value transactions, the transfer on sale of Ordinary Shares will be liable to ad valorem stamp duty, generally at the rate of 0.5 per cent. of the consideration paid (rounded up to the next multiple of five pounds (£5)) to the extent effected by a written instrument of transfer. Stamp duty is normally the responsibility of the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer such shares will normally give rise to SDRT,

at the rate of 0.5 per cent. of the amount or value of the consideration paid for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. SDRT is normally the liability of the purchaser or transferee of the Ordinary Shares. Transfers of Ordinary Shares by a person (or its nominee) to a connected company (or its nominee) may, absent a relief, be subject to stamp duty and/or SDRT based on the market value of the transferring Ordinary Shares if this exceeds the value of the actual consideration.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT (at a rate of 0.5 per cent. of the consideration paid) rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC by Euroclear.

The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services, may not be liable to stamp duty or SDRT and others including persons connected with depositary arrangements and clearance services, may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

18.4 **Substantial Shareholders**

A UK-REIT will become subject to an additional tax charge if it pays a dividend to, or in respect of, a Substantial Shareholder. The additional tax charge will be calculated by reference to the whole dividend paid to a Substantial Shareholder, and not just by reference to the proportion which exceeds the 10 per cent. threshold. It should be noted that this restriction only applies to shareholders that are bodies corporate and to certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double taxation agreements. It does not apply to nominees. It was also announced in the UK Government's autumn statement that amendments would be made to prevent investors from being Substantial Shareholders where they are taxed at a particular rate, or are not taxed at all, on distributions from the UK-REIT under the terms of a double tax agreement other than where that is conditional on holding an interest of a certain size in the UK-REIT. Those changes are expected to be brought in during 2024.

This tax charge will not be incurred if the UK-REIT has taken "reasonable steps" to avoid paying dividends to such a shareholder. HMRC guidance describes certain actions that a UK-REIT may take to show it has taken such "reasonable steps". One of these actions is to include restrictive provisions in the UK-REIT's articles of association to address this requirement. The Articles are consistent with such provisions.

19. **DESCRIPTION OF THE REIT PROVISIONS INCLUDED IN THE ARTICLES**

19.1 **Introduction**

The Articles contain provisions designed to enable the Company to demonstrate to HMRC that it has taken "reasonable steps" to avoid paying a dividend (or making any other distribution) to any Substantial Shareholder.

If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge.

The Articles contain a special article for this purpose (the "**Special Article**"). The Special Article:

- (a) provides directors with powers to identify its Substantial Shareholders (if any);

- (b) prohibits the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (c) allows dividends to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its New Ordinary Shares; and
- (d) seeks to ensure that if a dividend is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in the preceding paragraph are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

The effect of the Special Article is explained in more detail below

19.2 ***Identification of Substantial Shareholders***

The share register of the Company records the legal owner and the number of Ordinary Shares they own but does not identify the persons who are beneficial owners of the Ordinary Shares or are entitled to control the voting rights attached to the New Ordinary Shares or are beneficially entitled to dividends. While the requirements for the notification of interests in shares provided in Part VI of the Companies Act and the Board's rights to require disclosure of such interests (pursuant to Part 22 of the Companies Act and Article 57 of the Articles) should assist in the identification of Substantial Shareholders, those provisions are not on their own sufficient.

Accordingly, the Special Article requires a Substantial Shareholder and any registered Shareholder holding New Ordinary Shares on behalf of a Substantial Shareholder to notify the Company if his New Ordinary Shares form part of a Substantial Shareholding. Such a notice must be given within two business days. The Special Article gives the Board the right to require any person to provide information in relation to any Ordinary Shares in order to determine whether the shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which is seven days after a request is made or such other period as the Board may decide), the Board is entitled to impose sanctions, including withholding dividends (as described in paragraph 19.3 below) and/or requiring the transfer of the Ordinary Shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph 19.3 below).

19.3 ***Preventing payment of a dividend to a Substantial Shareholder***

The Special Article provides that a dividend will not be paid on any Ordinary Shares that the Board believes may form part of a Substantial Shareholding unless the Board is satisfied that the Substantial Shareholder is not beneficially entitled to the dividend.

If in these circumstances payment of a dividend is withheld, the dividend will be paid subsequently if the Board is satisfied that:

- (a) the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also paragraph 19.4 below);
- (b) the shareholding is not part of a Substantial Shareholding;
- (c) all or some of the Ordinary Shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividends will be paid to the transferee); or
- (d) sufficient Ordinary Shares have been transferred (together with the right to the dividends) such that the Ordinary Shares retained are no longer part of a Substantial Shareholding (in which case the dividends will be paid on the retained Ordinary Shares).

For this purpose references to the "transfer" of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that New Ordinary Share.

19.4 ***Payment of a dividend where rights to it have been transferred***

The Special Article provides that dividends may be paid on Ordinary Shares that form part of a Substantial Shareholding if the Board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder and the Board may be satisfied that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Substantial Shareholder. Such a certificate may apply to a particular dividend or to all future dividends in respect of Ordinary Shares forming part of a specified Substantial Shareholding, until notice rescinding the certificate is received by the Company. A certificate that deals with future dividends will include undertakings by the person providing the certificate:

- (a) to ensure that the entitlement to future dividends will be disposed of; and
- (b) to inform the Company immediately of any circumstances which would render the certificate no longer accurate.

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will be able to withhold payment of future dividends. In addition, the Board may require a Substantial Shareholder to pay to the Company the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder in reliance on the inaccurate certificate. The Board may require a sale of the relevant shares and retain the amount claimed from the proceeds.

Certificates provided in the circumstances described above will be of considerable importance to the Company in determining whether dividends can be paid. If the Company suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it. Any such tax may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

The effect of these provisions is that there is no restriction on a person becoming or remaining a Substantial Shareholder provided that the person who does so makes appropriate arrangements to divest itself of the entitlement to dividends.

19.5 ***Trust arrangements where rights to dividends have not been disposed of by Substantial Shareholder***

The Special Article provides that if a dividend is in fact paid on Ordinary Shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is split among a number of nominees and is not notified to the Company prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any two or more persons (each of whom is not a Substantial Shareholder) nominated by the Substantial Shareholder concerned. The persons nominated as the beneficiaries could be the purchasers of the Ordinary Shares if the Substantial Shareholder is in the process of selling down their holding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company or such charity as the Board may nominate.

If the recipient of the dividend passes it on to another without being aware that the Ordinary Shares in respect of which the dividend was paid were part of a Substantial Shareholding, the recipient will have no liability for breach of trust as a result. However, the Substantial Shareholder who receives the dividend should do so subject to the terms of the trust and as a result may not claim to be beneficially entitled to those dividends.

Mandatory sale of Substantial Shareholdings

The Article also allows the Board to require the disposal of shares forming part of a Substantial Shareholding if:

- (a) a Substantial Shareholder has been identified and a dividend has been announced or declared and the Board has not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);

- (b) there has been a failure to provide information requested by the Board; or
- (c) any information provided by any person proves materially inaccurate or misleading.

In these circumstances, if the Company incurs a charge to tax as a result of one of these events, the Board may, instead of requiring the Shareholder to dispose of the Ordinary Shares, arrange for the sale of the relevant Ordinary Shares and for the Company to retain from the sale proceeds of an amount equal to any tax so payable.

19.6 **Takeovers**

The Special Article does not prevent a person from acquiring control of the Company through a takeover or otherwise, although as explained above, such an event may cause the Combined Group to cease to qualify as a group UK-REIT.

19.7 **Other**

The Special Article also gives the Company power to require any Shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the Shareholder's entitlement to that treatment.

The Special Article may be amended by special resolution passed by the Shareholders in the future, which powers may include the ability to arrange for the sale of New Ordinary Shares on behalf of Shareholders.

20. **EXPERT REPORTS AND CONSENTS**

- 20.1 Peel Hunt is acting as sponsor and joint financial adviser to the Company in connection with the Merger. Peel Hunt has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which such references appear.
- 20.2 Barclays is acting as joint financial adviser to the Company in connection with the Merger. Barclays has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which such references appear.
- 20.3 JPMC is acting as joint financial adviser to the Company in connection with the Merger. JPMC has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which such references appear.
- 20.4 BDO LLP of 55 Baker Street, London, W1U 7EU, a member firm of the Institute of Chartered Accountants in England and Wales, has given and not withdrawn its consent to the inclusion in this document of its report in Part B of Part 12 (Accountant's report on the Unaudited Pro Forma Financial Information of the Combined Group) and its report in Part B of Part 7 of the Appendix (Accountant's report on the historical financial information of the SIR Group for the fifteen month period ended 31 March 2023) and has authorised the contents of its reports in Part B of Part 12 (Accountant's report on the Unaudited Pro Forma Financial Information of the Combined Group) and Part B of Part 7 of the Appendix (Accountant's report on the historical financial information of the SIR Group for the fifteen month period ended 31 March 2023) of this document for the purposes of Prospectus Regulation Rule 5.3.2R(2)(f).
- 20.5 CBRE Limited of Henrietta House, Henrietta Place, London, W1G 0NB, which is qualified for the purposes of the valuation report set out at Part A of Part 13 (Valuation Reports) of this document in accordance with the RICS Valuation – Global Standards, effective 31 January 2022, issued by the Royal Institution of Chartered Surveyors, has given and not withdrawn its consent to the inclusion in this document of its report in Part A of Part 13 (Valuation Reports) of this document and to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear and has authorised the contents of its report in Part A of Part 13 (Valuation Reports) of this document for the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), in the form and context in which it appears. CBRE Limited is a private limited company incorporated in England and Wales on 27 March 1998 (registered number 03536032).
- 20.6 Savills Advisory Services Limited of 33 Margaret Street, London, W1G 0JD, which is qualified for the purposes of the valuation report in Part B of Part 13 (Valuation Reports) of this document in accordance with the RICS Valuation – Global Standards, effective 31 January 2022, issued by the

Royal Institution of Chartered Surveyors, has given and not withdrawn its consent to the inclusion in this document of its report in Part B of Part 13 (Valuation Reports) of this document and to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear and has authorised the contents of its report in Part B of Part 13 (Valuation Reports) of this document for the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), in the form and context in which it appears. Savills Advisory Services Limited is a private limited company incorporated in England and Wales on 17 April 2007 (registered number 06215875).

- 20.7 Knight Frank LLP of 55 Baker Street, Marylebone, London W1U 8AN, which is qualified for the purposes of the valuation report in Part C of Part 13 (Valuation Reports) of this document in accordance with the RICS Valuation – Global Standards, effective 31 January 2022, issued by the Royal Institution of Chartered Surveyors, has given and not withdrawn its consent to the inclusion in this document of its report in Part C of Part 13 (Valuation Reports) of this document and to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear and has authorised the contents of its report in Part C of Part 13 (Valuation Reports) of this document for the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), in the form and context in which it appears. Knight Frank LLP is a limited liability partnership incorporated in England and Wales on 3 November 2003 (registered number OC305934) and its Legal Entity Identifier is 213800995RRALBMRYV38.

21. RELATED PARTY TRANSACTIONS

- 21.1 No member of the LondonMetric Group has entered into any related party transactions during the period since 30 September 2023 (being the end of the last financial period for which interim financial information has been published) and up to the date of this document.

22. REGULATORY DISCLOSURES

In the 12 month period prior to the date of this document, the Company disclosed the following information under UK MAR which is relevant as at the date of this Prospectus:

Board/company changes

30 March 2023	Non-Executive Director Appointment
28 September 2023	Directorate Change

Director/PDMR shareholding

19 June 2023	Director/PDMR Shareholding
19 June 2023	Director/PDMR Shareholding
20 June 2023	Director/PDMR Shareholding
27 June 2023	Director/PDMR Shareholding
20 October 2023	Director/PDMR Shareholding

Results and dividends

09 February 2023	Notice of Results
02 March 2023	Dividend Declaration
17 March 2023	Scrip Calculation Price
24 May 2023	Annual Results for the year ended 31 March 2023
08 June 2023	Scrip Calculation Price
28 July 2023	Notice of Results
23 August 2023	Dividend Declaration
07 September 2023	Scrip Calculation Price – First Quarterly Dividend
23 November 2023	Half-year Report
07 December 2023	Scrip Calculation Price
30 January 2024	Notice of Results

AGM and other general meetings

12 June 2023	Annual Report and Notice of AGM
11 July 2023	AGM Update – Withdrawal of AGM Resolution
12 July 2023	Results of AGM
23 November 2023	Notice of General Meeting
18 December 2023	Results of General Meeting
18 December 2023	Update statement on 2023 Annual General Meeting

Acquisitions/disposals

06 March 2023	LondonMetric sells £34m of long income assets
23 March 2023	Sale of multi-let industrial units for £46 million
28 March 2023	LondonMetric sells five warehouses for £35 million
24 May 2023	Recommended all-share offer for CT Property Trust
24 May 2023	LondonMetric sells distribution warehouse for £21m
21 June 2023	Publication and posting of scheme document
06 July 2023	LondonMetric sells five assets of £43 million
18 July 2023	Results of Court and General Meetings
07 August 2023	Effective Scheme Arrangements
07 August 2023	Completion of Acquisition
08 August 2023	Delisting and Cancellation of Trading of CTPT Shares
08 August 2023	Completion Of Acquisition of CT Property Trust
11 September 2023	Sale of £17m of long income and retail assets
14 September 2023	LondonMetric sells portfolio of industrial units
02 November 2023	LondonMetric sells £24.5 million of assets
18 December 2023	Possible All-Share Merger of LXi and LMP
08 January 2024	LondonMetric completes £21m logistics acquisition
11 January 2024	Recommended all-Share Merger Announcement

Capital structure and holding(s) in the Company

03 April 2023	Additional Listing
06 June 2023	Granting of Share Awards
05 July 2023	Additional Listing
12 July 2023	Rule 2.9 Announcement
03 October 2023	Additional Listing
08 December 2023	Holding(s) in Company
04 January 2024	Additional Listing
11 January 2024	Rule 2.9 Announcement

23. GENERAL

- 23.1 The auditors of LondonMetric are Deloitte LLP of 1 New Street Square, London EC4A 3HQ. Deloitte LLP, which is registered to carry out audit work in the UK and the Republic of Ireland by the Institute of Chartered Accountants in England and Wales has been the Company's auditors for the duration of the period dealt with by the historical financial information set out in Part 10 (Historical Financial Information on the LondonMetric Group) of this document. The auditors of LondonMetric have made reports under the relevant provisions in English company law in respect of these statutory accounts and each report was an unqualified report.
- 23.2 The New Ordinary Shares will be admitted with the ISIN GB00B4WFW713 and SEDOL (Daily Official List) number B4WFW71, being the same ISIN and SEDOL under which the Ordinary Shares are admitted. The Legal Entity Identifier (LEI) of LondonMetric is 213800OCERWWPQDURL87.
- 23.3 There are no interests that are material to the issue of New Ordinary Shares pursuant to the Merger and no conflicting interests.
- 23.4 The Prospectus is being published in connection with Admission and the New Ordinary Shares being issued by LondonMetric to acquire the entire ordinary share capital of LXi, thereby effecting a merger of the LondonMetric Group and the LXi Group. There will be no proceeds received by the LondonMetric Group as a result of the issue of New Ordinary Shares to LXi Shareholders in connection with the Merger. LondonMetric estimates that the aggregate fees and expenses expected to be

incurred by LondonMetric in connection with the Merger will be approximately £20.2 million (excluding applicable stamp duty and any irrecoverable VAT). The estimated amount of stamp duty payable by LondonMetric pursuant to the Merger is expected to be approximately £9.4 million. No expenses will be charged to investors by the Company in respect of the Merger.

- 23.5 No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representation must not be relied on as having been authorised by LondonMetric, Peel Hunt, Barclays or JPMC. Subject to the requirements of the Listing Rules, the FSMA, the Prospectus Regulation, the Prospectus Regulation Rules, the Code and the Disclosure and Transparency Rules, neither the delivery of this document nor any subscription or acquisition described in it shall, in any circumstances, create any implication that there has been no change in the affairs of the Combined Group since the date of this document or that the information in it is correct as at any subsequent date. No statement in this document is intended as a profit forecast.
- 23.6 There has been no material change in the valuation of the properties which are the subject of the Property Valuation Reports that appear in of Part 13 (Valuation Reports) of this document since the date of the relevant valuations contained in those reports.
- 23.7 Unless otherwise specifically stated, the contents of LXi's website or LondonMetric's website or any website directly or indirectly linked to either website do not form part of this document.
- 23.8 Percentages in tables have been rounded and accordingly may not add up to 100 per cent. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.
- 23.9 Other than as provided by the Companies Act and the Code, there are no rules or provisions relating to mandatory bids, squeeze-out or sell-out rules in relation to the Ordinary Shares.
- 23.10 No public takeover bid has been made in relation to LondonMetric during the last financial year or the current financial year.

24. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of LondonMetric during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this document until the date of Admission and shall be available on the Company's website at www.londonmetric.com/investors:

- 24.1 the Articles;
- 24.2 the audited consolidated accounts of LondonMetric and its subsidiaries for the year ended 31 March 2023, and the unaudited consolidated accounts of LondonMetric and its subsidiaries for the six-month period ended 30 September 2023;
- 24.3 the audited consolidated accounts of LXi and its subsidiaries for the three years ended 31 March 2023, 31 March 2022 and 31 March 2021 and the unaudited condensed consolidated accounts of LXi and its subsidiaries for the six-month period ended to 30 September 2023;
- 24.4 the reports of BDO LLP contained in Part B of Part 12 (Unaudited Pro Forma Financial Information of the Combined Group) and Part B of Part 7 of the Appendix (Accountant's report on the historical financial information of the SIR Group for the fifteen month period ended 31 March 2023);
- 24.5 the valuation reports of CBRE, Savills and Knight Frank, respectively, contained in Part 13 (Valuation Reports);
- 24.6 the consent letters referred to in paragraph 20 of this Part 14;
- 24.7 the Announcement;
- 24.8 the Scheme Document; and
- 24.9 this document.

PART 15

DEFINITIONS

“2016 NPA”	has the meaning given in paragraph 15.1.3(viii) of Part 14 (Additional Information) of this document;
“2018 NPA”	has the meaning given in paragraph 15.1.3(vii) of Part 14 (Additional Information) of this document;
“2021 NPA”	has the meaning given in paragraph 15.1.3(vi) of Part 14 (Additional Information) of this document;
“2021 Syndicated Revolving Facility”	has the meaning given in paragraph 15.1.3(iv) of Part 14 (Additional Information) of this document;
“2022 Syndicated Revolving Facility”	has the meaning given in paragraph 15.1.3(iii) of Part 14 (Additional Information) of this document;
“2023 Remuneration Policy”	the remuneration policy approved by shareholder at a general meeting held on 18 December 2023 to take effect from 18 December 2023 until the annual general meeting of the Company to be convened in 2026;
“Admission”	admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the Main Market becoming effective;
“AJM Scottish Widows Facility”	has the meaning given in paragraph 15.1.3(x) of Part 14 (Additional Information) of this document;
“Altı RE”	Altı RE Public Markets Limited (a private limited company incorporated in England and Wales with registered number 14361515) whose registered office is at Level 5 Nova North, 11 Bressenden Place, London, England, SW1E 5BY;
“Announcement”	the joint announcement of the Merger made by the Company and LXI on 11 January 2024 pursuant to Rule 2.7 of the Code
“Appendix”	the appendix containing extracts of selected historical financial information of the LXI Group and the SIR Group contained on page 244 of this document;
“Articles” or “Articles of Association”	the articles of association of the Company, as further described in paragraph 7 of Part 14 (Additional Information) of this document;
“Audit Committee”	the audit committee of the Board, as described in paragraph 12.2 of Part 14 (Additional Information) of this document;
“Backstop Committed Lenders”	has the meaning given to it in paragraph 15.1.3(ii) of Part 14 (Additional Information) of this document;
“Backstop Commitment Letter”	has the meaning given to it in paragraph 15.1.3(ii) of Part 14 (Additional Information) of this document;
“Barclays”	Barclays Bank PLC (a public limited company incorporated in England and Wales with registered number 01026167) whose registered office is at 1 Churchill Place, London E14 5HP;

“BREEAM”	Building Research Establishment Environmental Assessment Method;
“Board” or “Directors”	the board of directors of the Company as at the date of this document, whose names are set out on page 248 of this document;
“Business Day”	a day on which banks are generally open for normal banking business in the City of London (excluding Saturdays, Sundays and public holidays);
“Canada Life Facility”	has the meaning given in paragraph 15.1.3(ix) of Part 14 (Additional Information) of this document;
“CBRE”	CBRE Limited (a private limited company incorporated in England and Wales with registered number 03536032) whose registered office is Henrietta House, Henrietta Place, London W1G 0NB;
“Closing Price”	the closing middle market price of a LXi Ordinary Share or an Ordinary Share as the context so requires, on a particular trading day as derived from the London Stock Exchange Daily Official List;
“Code”	the City Code on Takeovers and Mergers, as amended from time to time;
“Combined Group”	the LondonMetric Group as enlarged by the LXi Group following completion of the Merger;
“Commitment Letter”	has the meaning given to it in paragraph 15.1.3(i) of Part 14 (Additional Information) of this document;
“Committed Lenders”	has the meaning given to it in paragraph 15.1.3(i) of Part 14 (Additional Information) of this document;
“Common Reporting Standard”	the Common Reporting Standard on Automatic Exchange of Information;
“Companies Act”	the Companies Act 2006 as amended, modified, consolidated, re-enacted or replaced from time to time;
“Company” or “LondonMetric”	LondonMetric Property Plc (a public limited company incorporated in England and Wales with registered number 07124797) whose registered office is One Curzon Street, London, W1J 5HB;
“Conditions”	the conditions relating to the Merger as summarised in paragraph 11 of Part 7 (Letter from the Chair) of this document and set out in full in Part 3 (Conditions to and further terms of the Merger) of the Scheme Document;
“Corporate Governance Code”	the UK Corporate Governance Code dated July 2018;
“Court”	the High Court of Justice in England and Wales;
“Court Order”	the order of the Court sanctioning the Scheme under section 899 of the Companies Act;
“CPI”	UK Consumer Price Index;

“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations;
“CREST Proxy Instruction”	the appropriate CREST message;
“CREST Regulations”	the Uncertificated Securities Regulations 201 (SI 2001 No. 3755), as amended from time to time;
“CTA 2010”	Corporation Tax Act 2010 and any statutory modification or re-enactment thereof for the time being in force;
“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules of the FCA made under Part VI of the FSMA;
“EBITDA”	earnings before interest, tax, depreciation, and amortisation;
“Effective”	the Merger and the Scheme becoming effective in accordance with their terms;
“Effective Date”	the date on which the Merger becomes Effective;
“Enlarged Share Capital”	all of the issued Ordinary Shares at the date immediately following the Merger becoming Effective;
“EPRA”	European Public Real Estate Association;
“EPRA NTA”	a measure of net asset value designed by EPRA to present the fair value of a company on a long term basis, as defined in the EPRA Guidance;
“EPC”	energy performance certificate;
“ERV”	estimated rent value;
“ESG”	environmental, social and governance;
“EUWA”	European Union (Withdrawal) Act 2018 (as amended);
“Euroclear”	Euroclear UK & International Limited, being the operator of CREST;
“Exchange Ratio”	the ratio of 0.55 New Ordinary Shares for each LXi Ordinary Share held;
“Excluded Jurisdictions”	the United States, Australia, Japan, the Republic of South Africa, New Zealand;
“Executive Directors”	Andrew Jones and Martin McGann, as executive directors of LondonMetric;
“Existing Ordinary Shares”	the 1,093,559,368 Ordinary Shares in issue at the date of this document;
“Existing LondonMetric Shareholder Authorities”	the authorities granted by LondonMetric Shareholders by way of the resolutions passed at the general meeting of LondonMetric held on 12 July 2023;
“FCA”	the Financial Conduct Authority;
“Form of Proxy”	the hard copy form of proxy which can be requested from the Registrar in connection with the LondonMetric General Meeting;

“FSMA”	the Financial Services and Markets Act 2000 as amended from time to time;
“Gross Asset Value”	the aggregate value of the total assets of LXi as determined in accordance with the principles adopted by LXi from time to time;
“Heads of Terms”	the heads of terms dated 9 January 2024 between (1) LondonMetric, (2) AITi RE and (3) AITi Global Inc.;
“HMRC”	His Majesty’s Revenue & Customs and, where relevant, any predecessor body which carried out part of its functions and references to any approval by HMRC shall, where appropriate, include approval by an officer of His Majesty’s Revenue & Customs;
“in uncertificated form”	registered as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“International Financial Reporting Standards” or “IFRS”	International Financial Reporting Standards maintained by the International Accounting Standards Board (IASB) and which are in force from time to time, as adopted by the United Kingdom;
“IPO”	Initial public offering;
“IRR”	internal rate of return;
“ISIN”	International Securities Identification Number;
“Jefferies”	Jefferies International Limited (a private limited company incorporated in England and Wales with registered number 01978621) whose registered address is 100 Bishopsgate, London, England, EC2N 4JL;
“JPMC” or “J.P. Morgan Cazenove”	J.P. Morgan Securities Plc (a public limited company incorporated in England and Wales with registered number 2711006) whose registered office is 25 Bank Street, Canary Wharf, London, E14 5JP;
“Latest Practicable Date”	2 February 2024, being the latest practicable date prior to the publication of this document;
“Lazard”	Lazard & Co., Limited (a private limited company incorporated in England and Wales with registered number 00162175) whose registered address is 50 Stratton Street, London, W1J 8LL;
“Link Group”	a trading name of Link Market Services Limited (a private limited company incorporated in England and Wales with registered number 02605568) whose registered office is Central Square 29 Wellington Street, Leeds, England, LS1 4DL;
“Listing Rules”	the listing rules of the FCA made under Part VI of the FSMA;
“LondonMetric Board”	the board of directors of LondonMetric;
“LondonMetric EBT”	LondonMetric’s employee benefit trust;
“LondonMetric Third Quarterly Interim Dividend”	has the meaning given in paragraph 13 of Part 7 (Letter from the Chair) of this document;

“LondonMetric General Meeting”	the general meeting of the Company convened by the Board and expected to be held on 27 February 2024, notice of which is set out at the end of this document;
“LondonMetric Group”	the Company and its subsidiary undertakings and, where the context permits, each of them;
“LondonMetric LTIP”	LondonMetric’s Long Term Incentive Plan adopted on 12 July 2023;
“LondonMetric Permitted Dividend”	has the meaning given in paragraph 13 of Part 7 (Letter from the Chair) of this document;
“LondonMetric Valuation Reports”	the valuation reports prepared by CBRE and Savills in relation to the LondonMetric portfolio included in Part 13 (Valuation Reports) of this document;
“London Stock Exchange” or “LSE”	London Stock Exchange Plc (a public limited company incorporated in England and Wales with registered number 02075721) whose registered office is 10 Paternoster Square, London, EC4M 7LS;
“Long-stop Date”	11 July 2024, or such later date (if any) as LondonMetric and LXi may agree, with the consent of the Panel, and (if required) the Court may allow;
“LTIP Award”	has the meaning given in paragraph 14.1.2 of Part 14 (Additional Information) of this document;
“LTIP Participant”	has the meaning given in paragraph 14.2.1 of Part 14 (Additional Information) of this document;
“LTV”	loan to value;
“LXi”	LXi REIT plc (a public limited company incorporated in England and Wales with registered number 10535081) whose registered office is at 8th Floor 100 Bishopsgate, London, EC2N 4AG;
“LXi 2023 Syndicated Facility”	has the meaning given in paragraph 15.2.2(iv) of Part 14 (Additional Information) of this document;
“LXi AIG Facility”	has the meaning given in paragraph 15.2.2(v) of Part 14 (Additional Information) of this document;
“LXi Administration Agreement”	has the meaning given in paragraph 15.2.3(iv) of Part 14 (Additional Information) of this document;
“LXi Administrator”	Langham Hall UK Services LLP (a limited liability partnership incorporated in England and Wales with registered number OC322239) whose registered address is 1 Fleet Place, 8th Floor, London, EC4M 7RA;
“LXi AIFM”	Alvarium Fund Managers (UK) Limited (a private limited company incorporated in England and Wales with registered number 09921853) whose registered office is at Level 5 Nova North, 11 Bressenden Place, London, SW1E 5BY;
“LXi Board” or “LXi Directors”	the board of directors of LXi as at the date of this document, whose names are set out in Part 1 of the Scheme Document;
“LXi Canada Life Facility”	has the meaning given in paragraph 15.2.2(vii) of Part 14 (Additional Information) of this document;

“LXi Company Secretary”	Law Debenture Corporate Services Limited (a private limited company incorporated in England and Wales with registered number 03388362) whose registered office is at 8th Floor, 100 Bishopgate, London, England, EC2N 4AG;
“LXi Court Hearing”	the hearing by the Court of the claim form to sanction the Scheme;
“LXi Court Meeting”	the meeting of the Scheme Shareholders to be convened by order of the Court pursuant to section 896 of the UK Companies Act, for the purpose of approving the Scheme and expected to be held on 27 February 2024 and including any adjournment thereof;
“LXi Depositary”	Langham Hall UK Depositary LLP (a limited liability partnership incorporated in England and Wales with registered number OC388007) whose registered address is 1 Fleet Place, 8th Floor, London, EC4M 7RA;
“LXi Depositary Agreement”	has the meaning given in paragraph 15.2.3(iii) of Part 14 (Additional Information) of this document;
“LXi General Meeting”	the general meeting of LXi to be convened by the LXi Directors pursuant to the Scheme Document and expected to be held on 27 February 2024 immediately following the LXi Court Meeting;
“LXi Group”	LXi and its subsidiary undertakings and, where the context permits, each of them;
“LXi Group Annual Report 2021”	the audited consolidated financial statements of the LXi Group for the financial year ended 31 March 2021;
“LXi Group Annual Report 2022”	the audited consolidated financial statements of the LXi Group for the financial year ended 31 March 2022;
“LXi Group Annual Report 2023”	the audited consolidated financial statements of the LXi Group for the financial year ended 31 March 2023;
“LXi Group Interim Results 2023”	the unaudited interim consolidated financial results of the LXi Group for the six-month period ended 30 September 2023.
“LXi HSBC Facility”	has the meaning given in paragraph 15.2.2(viii) of Part 14 (Additional Information) of this document;
“LXi Investment Policy”	the investment policy of LXi as set out in paragraph 2 of Part 9 (Information on the LXi Group) of this document;
“LXi Investment Adviser”	LXi REIT Advisors Limited (a private limited company incorporated in England and Wales with registered number 10537567) whose registered office is at Level 5 Nova North, 11 Bressenden Place, London, SW1E 5BY;
“LXi Investment Advisory Agreement”	the amended and restated investment advisory agreement dated 11 May 2022 between LXi, the LXi AIFM and the LXi Investment Adviser, a summary of which is set out in paragraph 15 of Part 14 (Additional information) of this document;
“LXi Investment Management Agreement”	the amended and restated investment management agreement dated 11 May 2022 between the LXi and the LXi AIFM, a summary of which is set out in paragraph 15 of Part 14 (Additional information) of this document;

“LXi L&G Facility”	has the meaning given in paragraph 15.2.2(vi) of Part 14 (Additional Information) of this document;
“LXi Market Capitalisation”	the average of the mid-market prices for a LXi Ordinary Share, as derived from the “Daily Official List” of the London Stock Exchange on each Business Day in the relevant calendar month, multiplied by the number of LXi Ordinary Shares in issue on the last Business Day of the relevant calendar month, excluding any LXi Ordinary Shares held by LXi in treasury;
“LXi Ordinary Shares”	ordinary shares of 1 pence each in the capital of LXi;
“LXi Permitted Dividend”	has the meaning given in paragraph 13 of Part 7 (Letter from the Chair) of this document;
“LXi Portfolio”	the property portfolio of the LXi Group from time to time;
“LXi Registrar”	Link Market Services Limited (a private limited company incorporated in England and Wales with registered number 02605568) whose registered office is at Central Square, 29 Wellington Street, Leeds, United Kingdom, LS1 4DL;
“LXi Resolution”	the special resolution to be proposed at the LXi General Meeting in connection with (i) authorising the LXi Directors to take all required action in relation to the Scheme, (ii) amending LXi’s articles of association and (iii) re-registering LXi as a private company limited by shares, and such other matters as may be necessary to implement the Scheme;
“LXi Third Quarterly Dividend”	has the meaning given in paragraph 13 of Part 7 (Letter from Chair);
“LXi Scottish Widows Facility 1”	has the meaning given in paragraph 15.2.2(i) of Part 14 (Additional Information) of this document;
“LXi Scottish Widows Facility 2”	has the meaning given in paragraph 15.2.2(ii) of Part 14 (Additional Information) of this document;
“LXi Scottish Widows Facility 3”	has the meaning given in paragraph 15.2.2(iii) of Part 14 (Additional Information) of this document;
“LXi Shareholder”	a holder of LXi Ordinary Shares;
“LXi Valuation Report”	the valuation report prepared by Knight Frank in relation to the LXi portfolio included in Part 13 (Valuation Reports) of this document;
“Lloyds Bank”	Lloyds Bank Plc (a public limited company incorporated in England and Wales with registered number 00002065) whose registered office is 25 Gresham Street, London, EC2V 7HN;
“Main Market”	the London Stock Exchange’s main market for listed securities;
“Member State”	a sovereign state which is a member of the European Union;
“Merger”	the proposed acquisition of the entire issued and to be issued ordinary share capital of LXi by LondonMetric to be implemented by way of the Scheme or (should LondonMetric so elect, subject to the consent of the Panel (where necessary) and with LXi’s prior written consent) by way of a Takeover Offer;

“NatWest”	National Westminster Bank Plc (a public limited company incorporated in England and Wales with registered number 00929027) whose registered office is at 250 Bishopsgate, London, England, EC2M 4AA;
“NAV” or “Net Asset Value”	the value of the assets of the LondonMetric Group, the LXi Group or the Combined Group, as applicable, less its liabilities, determined in accordance with the accounting principles adopted by the LondonMetric Group, the LXi Group or the Combined Group, as applicable from time to time or, as the context requires, the net asset value per ordinary share calculated in accordance with LondonMetric’s or LXi’s accounting policies, as applicable;
“New Ordinary Shares”	the Ordinary Shares to be issued by the Company to LXi Shareholders in connection with the Scheme;
“Nomination Committee”	the nomination committee of the Board, as described in paragraph 12.2 of Part 14 (Additional Information) of this document;
“Non-PID Dividend”	a distribution by the Company which is not a PID;
“Offer Period”	the offer period (as defined in the Code) relating to LXi, which commenced on 18 December 2024;
“Official List”	the Official List of the FCA;
“Ordinary Shares”	ordinary shares of 10 pence each in the capital of the Company;
“Osprey Equity Partners Limited”	Osprey Equity Partners Limited (a private limited company incorporated in England and Wales with registered number 07805418) whose registered office is at Level 5 Nova North, 11 Bressenden Place, London, England, SW1E 5BY;
“Panel”	the Panel on Takeovers and Mergers;
“Peel Hunt”	Peel Hunt LLP (a limited liability partnership incorporated in England and Wales with registered number OC357088) whose registered office is 100 Liverpool Street, London EC2M 2AT;
“PFIC”	passive foreign investment company as defined in the US Tax Code;
“PID” or “property income distribution”	distribution by the Company of the profits of the Combined Group’s Property Rental Business by way of dividend which is required under section 530 of the Corporation Tax Act 2010;
“PRIIPs”	Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for the packaged insurance based investment products (PRIIPs) including any delegated regulation, regulatory technical standards and/or any implementing measures made thereunder or in respect thereof;
“Property Portfolio”	the property portfolio of the LondonMetric Group and, following the Merger becoming Effective, the Combined Group, as applicable, from time to time;
“Property Rental Business”	the qualifying property rental business in the UK and elsewhere of UK resident companies within a UK-REIT and non-UK resident companies within a UK-REIT with a UK qualifying property rental business;

“Proposals”	the Merger, the issue and allotment of the New Ordinary Shares in connection with the Merger and Admission;
“Proposed Backstop Facility Agreement”	has the meaning given to it in paragraph 15.1.3(ii) of Part 14 (Additional Information) of this document;
“Proposed Facilities Agreement”	has the meaning given to it in paragraph 15.1.3(i) of Part 14 (Additional Information) of this document;
“Prospectus”	this document;
“PR Regulation”	Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation, which forms part of UK domestic law by virtue of the EUWA;
“Prospectus Regulation”	the UK version of Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, which is part of UK law by virtue of the EUWA;
“Prospectus Regulation Rules”	the prospectus regulation rules made by the FCA under Part VI of the FSMA;
“RBS”	The Royal Bank of Scotland Plc (a public limited company incorporated in Scotland with registered number SC083026) whose registered office is at 36 St. Andrew Square, Edinburgh, Scotland, EH2 2YB;
“Regulatory Information Service”	a service provided by the LSE for the distribution to the public of company announcements;
“Remuneration Committee”	the remuneration committee of the Board, as described in 12.2 of Part 14 (Additional Information) of this document;
“Residual Business”	that part of the business of companies within a UK-REIT that is not part of the Property Rental Business;
“Resolution”	the resolution proposed to be approved at the LondonMetric General Meeting as set out in the Notice of General Meeting at the end of this document;
“Restricted Jurisdiction”	any jurisdiction where the relevant action would constitute a violation of the relevant laws and regulations of such jurisdiction or would result in a requirement to comply with any governmental or other consent or any registration, filing or other formality which LondonMetric or LXi regards as unduly onerous including, without limitation, the Excluded Jurisdictions;
“Restricted Overseas Person”	means a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, or any person whom LondonMetric believes to be in, or resident in, a Restricted Jurisdiction (or any custodian, nominee or trustee for such persons) and person in any other jurisdiction (other than persons in the UK) whom LondonMetric is advised to treat as a restricted overseas person in order to observe the laws of such jurisdiction or to avoid the requirement to comply with any governmental or other consent or

	any registration, filing or other formality which LondonMetric regards as unduly onerous;
“Rolled-Forward Unaudited EPRA NTA”	the rolled-forward unaudited EPRA NTA of LondonMetric and/or LXi REIT (as applicable) as at 31 December 2023;
“RPI”	UK Retail Price Index;
“RPIX”	UK Retail Price Index excluding Mortgage Interest;
“Savills”	Savills Advisory Services Limited (a limited company incorporated in England and Wales with registered number 06215875) whose registered office is at 33 Margaret Street, London, W1G 0JD;
“Scheme” or “Scheme of Arrangement”	the proposed scheme of arrangement under Part 26 of the Companies Act between LXi and the Scheme Shareholders set out in the Scheme Document;
“Scheme Document”	the scheme document to be posted to LXi Shareholders on the same date as this document;
“Scheme Record Time”	the record date and time by reference to which entitlement to receive consideration under the Scheme will be determined, as specified in the Scheme Document;
“Scheme Shareholder(s)”	a holder of Scheme Shares;
“Scheme Shares”	the LXi Ordinary Shares: (i) in issue at the date of the Scheme Document; (ii) (if any) issued after the date of the Scheme Document but before the Voting Record Time; and (iii) (if any) issued after the Voting Record Time and before the Scheme Record Time on terms that the original holder or any subsequent holders shall be, or shall have agreed in writing to be, bound by the Scheme; in each case excluding any LXi Ordinary Shares which are (i) registered in the name of or beneficially owned by LondonMetric or its nominee(s) or any subsidiary undertaking of LondonMetric or its nominee(s); or (ii) are held in treasury (unless such LXi Ordinary Shares cease to be so held);
“SDRT”	stamp duty reserve tax;
“Shareholder(s)” or “LondonMetric Shareholder(s)”	a holder of Ordinary Shares;
“SEC”	the United States Securities and Exchange Commission;
“SIR”	Secure Income REIT, now known as LXI SIR Holdco Limited (a private limited company incorporated in England and Wales with registered number 06064259) whose registered office is at 8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG;
“SIR Group”	SIR and its subsidiaries from time to time;
“SIR Group Annual Report 2020”	the audited consolidated financial statements of the SIR Group for the financial year ended 31 December 2020;

“SIR Group Annual Report 2021”	the audited consolidated financial statements of the SIR Group for the financial year ended 31 December 2021;
“SONIA”	the sterling overnight index average reference rate;
“Special Article”	has the meaning given in paragraph 19.1 of Part 14 (Additional Information) of this document;
“SPV”	special purpose vehicle;
“Statutes”	the Companies Act, the CREST Regulations and every other statute or statutory instrument, rule, order or regulation from time to time in force concerning companies so far as they apply to the Company;
“Substantial Shareholder”	a company or body corporate which is beneficially entitled (directly or indirectly) to 10 per cent. or more of the shares or dividends of the principal company of a UK-REIT or controls (directly or indirectly) 10 per cent. or more of the voting rights of the principal company of a UK-REIT, for the purposes of section 551 of the Corporation Tax Act 2010 (and in the context of the Combined Group, the principal company would be the Company) (this has the same meaning as “holder of excessive rights” as defined in section 553 of the Corporation Tax Act 2010);
“Substantial Shareholding”	the shares in respect of which a Substantial Shareholder is entitled to dividends (directly or indirectly) and/or to which a Substantial Shareholder is beneficially entitled (directly or indirectly) and/or the votes attached to which are controlled (directly or indirectly) by the Substantial Shareholder;
“Takeover Offer”	has the meaning given to it in Part 28 of the Companies Act;
“Takeover Panel”	the Panel on Takeovers and Mergers;
“third party”	any government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body or association, institution or agency (including, without limitation, any trade agency) or authority (including, without limitation, any anti-trust or merger control authority), any court or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction;
“TUPE”	the Transfer of Undertakings (Protection of Employment) Regulations 2006;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland, its territories and dependencies;
“UK AIFM Rules”	Alternative Investment Fund Managers Regulations 2013;
“UK Market Abuse Regulation” or “UK MAR”	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse as it forms part of the domestic law of the United Kingdom by virtue of the EUWA;
“UK-REIT”	a UK Real Estate Investment Trust under Part 12 of the Corporation Tax Act 2010;

“Undisturbed Closing Price”	the closing price on 15 December 2023, being the last Business Day prior to the commencement of the offer period;
“Unaudited Pro Forma Financial Information”	the unaudited pro forma net assets and income statement set out in Part A of Part 12 of this document;
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
“US Tax Code”	the United States Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder;
“Valuation Reports”	the valuation reports prepared by CBRE, Savills and Knight Frank included as Part 13 (Valuation Reports) of this document;
“VAT”	value added tax;
“Vesting Period”	has the meaning given to it in paragraph 14.2.6 of 14.2 (Additional Information) of this document;
“Voting Record Time”	6.00 p.m. on the day prior to the day immediately before the LXi Court Meeting or, if the LXi Court Meeting is adjourned, 48 hours before the time set for such adjourned meeting;
“WAULT”	weighted average unexpired lease term;
“Wells Fargo”	Wells Fargo Bank, N.A. (incorporated in the United States with registered number FC026633). The UK establishment number is BR009065 and its registered office is at 33 King William Street, London, EC4R 9AT; and
“Wells Fargo Revolving Facility”	has the meaning given in paragraph 15.1.3(v) of Part 14 (Additional Information) of this document.

PART 16

NOTICE OF GENERAL MEETING OF LONDONMETRIC PROPERTY PLC

(a public limited company incorporated and registered in England and Wales with registered company number 07124797)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of LondonMetric Property Plc (the “**Company**”) will be held at 2.30 p.m. on 27 February 2024 at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF (“**Notice**”) for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

THAT:

- (A) the proposed acquisition (which is a reverse takeover transaction for the purposes of the listing rules and regulations made by the Financial Conduct Authority (the “**FCA**”) under the Financial Services and Markets Act 2000 and contained in the FCA’s publication of the same name as amended from time to time (the “**Listing Rules**”)) by the Company of the entire issued and to be issued ordinary share capital of LXi REIT plc in order to effect a merger between the Company and LXi REIT plc (the “**Merger**”), pursuant to a scheme of arrangement under Part 26 of the Companies Act 2006 (the “**Scheme**”) (or by way of a takeover offer as defined in section 974 of the Companies Act 2006 (“**Takeover Offer**”)), on the terms and subject to the conditions described in the combined prospectus and circular sent to shareholders in the Company on 6 February 2024, of which this Notice of General Meeting forms part (the “**Prospectus**”), a copy of which is produced to the meeting, be and is hereby approved, including for the purposes of Chapter 10 of the Listing Rules, and the board of directors of the Company (or any duly constituted committee thereof) (the “**Board**” or the “**Directors**”) be and are authorised to: (1) take all such steps as the Board considers to be necessary or desirable in connection with, and to implement, the Merger (including, without limitation, approving and entering into any associated or ancillary agreements in connection with the Merger on behalf of the Company); and (2) agree such modifications, variations, revisions, waivers, extensions or amendments to any of the terms and conditions of the Merger, and any associated and ancillary agreements, deemed necessary or desirable by the Board (provided such modifications, variations, revisions, waivers, extensions or amendments do not materially change the terms of the Merger for the purposes of Listing Rule 10.5.2), as they may in their absolute discretion think fit; and
- (B) subject to and conditional upon:
- (1) the Scheme becoming effective in accordance with its terms, except for the conditions relating to: (a) the delivery of the order of the High Court of Justice, Business and Property Courts of England and Wales, Companies Court sanctioning the Scheme to the Registrar of Companies; and (b) the FCA having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the application for the admission of new ordinary shares of 10 pence each in the capital of the Company (the “**New Ordinary Shares**”) to be issued pursuant to the Scheme (or, as the case may be, the Takeover Offer) to listing on the premium listing segment of the Official List maintained by the FCA has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (the “**listing conditions**”)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied and London Stock Exchange plc having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the New Ordinary Shares (defined below) will be admitted to trading on the main market of London Stock Exchange plc (“**Admission**”); or, as the case may be,

(2) the Takeover Offer becoming or being declared wholly unconditional (except for Admission),

the Directors be and hereby are generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (in addition, to the extent unutilised, to the authority granted to the Directors at the Company's annual general meeting held on 12 July 2023 which remains in full force and effect) to exercise all the powers of the Company to allot the New Ordinary Shares and grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal amount of £94,296,028, in each case, credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Merger, and which authority shall expire at the close of business on 11 July 2024 (unless previously revoked, renewed or varied by the Company in general meeting), save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

By order of the Board

Jadzia Duzniak
Company Secretary

Registered office:

1 Curzon Street
London W1J 5HB

Dated 6 February 2024

Notes:

1. The right to attend and vote at the general meeting is determined by reference to the register of members. Only those Shareholders registered on the Company's register of members at close of business on 23 February 2024 (or, if the general meeting is adjourned, at close of business on the day two days prior to the adjourned general meeting), shall be entitled to attend and vote at the general meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the general meeting.
2. Voting on all resolutions at the LondonMetric General Meeting will be by way of poll. The Company believes that this is the best way of representing the view of as many shareholders as possible in the voting process.
3. A copy of this notice of general meeting and other information regarding the general meeting, including information which the Company is required by section 311A of the Companies Act 2006 to publish in advance of the general meeting, can be accessed at www.londonmetric.com.
4. Shareholders registered at the time set out in Note 1 above are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. Your proxy could be the Chair, another Director of the Company or another person who has agreed to attend and represent you and they need not be a shareholder. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chair (or another person) are set out in your proxy instruction or notes to the proxy form. If your proxy is being appointed in relation to less than your full voting entitlement, the number of shares in respect of which each such proxy is to vote must be specified. In the absence of any specific direction, a proxy shall be deemed to be entitled to vote in respect of all the shares in the relevant holding.
5. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person): (1) you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the Meeting; (2) if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and (3) your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

You will not have received a hard copy proxy form for the General Meeting in the post. You can instead submit your proxy vote electronically by accessing the shareholder portal at www.signalshares.com, logging in and selecting the 'Vote Online Now' link. You will require your username and password in order to log in and vote. If you have forgotten your username or password you can request a reminder via the shareholder portal. If you have not previously registered to use the portal you will require your investor code ('IVC') which can be found on your share certificate or dividend notification. Proxy votes should be submitted as early as possible and in any event, no later than 2.30 p.m. on 23 February 2024 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting). You may not have received a hard copy proxy form for the LondonMetric General Meeting in the post but you can request a hard copy proxy form directly from the Registrars, Link Group by emailing shareholderenquiries@linkgroup.co.uk, calling 0371 664 0391 or by post at Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL. To be valid, any hard copy proxy form (and the power of attorney or other authority, if any, under which

it is signed or a notarially certified copy thereof) must be received by post or (during normal business hours only) by hand at the Company's registrars, Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL by no later than 2.30 p.m. on 23 February 2024 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting).

6. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Link Group at PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Completion and return of a proxy form will not preclude members from attending and voting at the meeting should they wish to do so. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others. To appoint more than one proxy, additional forms may be obtained by contacting the Company's Registrar, Link Group, on 0371 664 0300. The number of shares in respect of which each such proxy is to vote must be specified on the relevant form. If you need help with voting online, or require a paper proxy form, please contact our Registrar, Link Group by email at: shareholderenquiries@linkgroup.co.uk, or you may call Link on 0371 664 0391 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate; lines are open 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA10) by 2.30 p.m. on 23 February 2024 (or, in the event of an adjournment, not less than two business days before the stated time of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. Proximity Voting - if you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to www.proximity.io. Your proxy must be lodged by 2.30 p.m. on 23 February 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proximity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
12. Unless otherwise indicated on, CREST, Proximity, any other electronic voting instruction or the Form of Proxy, the proxy will vote as they think fit or, at their discretion, withhold from voting.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
14. Unless voting instructions are indicated on the proxy form, a proxy may vote or withhold their vote as he thinks fit on the resolution(s) or on any other business including amendments to resolution(s) which may come before the meeting.
15. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for or against a resolution.
16. Shareholders must inform the Company in writing of any termination of the authority of a proxy.
17. In the case of joint registered holders, the signature of one holder on a proxy card will be accepted and the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which names stand on the register of members of the Company in respect of the relevant joint holding.
18. Appointment of a proxy does not preclude you from attending the general meeting and voting in person. If you have appointed a proxy and attend the general meeting in person, your proxy appointment will automatically be terminated.
19. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (i). to do so would interfere unduly

with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

20. You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
21. As at 2 February 2024 (being the closest practical business day before the publication of this Notice), the Company's issued share capital consisted of 1,093,559,368 ordinary shares carrying one vote each. The Company does not hold any ordinary shares in treasury.

APPENDIX

PART 1

AUDITED CONSOLIDATED FINANCIAL STATEMENTS (TOGETHER WITH THE INDEPENDENT AUDIT REPORT AND NOTES TO THE FINANCIAL STATEMENTS) OF THE LXI GROUP FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

Independent Auditor's report to the members of LXi REIT plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of LXi REIT plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and Company statement of changes in equity, the Consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Directors on 25 August 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the years ending 31 March 2018 to 31 March 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included the following considerations.

We have reviewed and challenged management over the forecasts that support the Going Concern Statement and the long-term Viability Statement. Our work included agreeing the Group's available borrowing facilities and the related covenants to supporting financing documentation and calculations, assessing the forecasted cash flows with reference to budgeted and historic performance, agreeing the inputs to the forecasted cash flows to supporting documentation, challenging management's assumptions and comparing them to historical and current performance, and considering the covenant compliance headroom for sensitivity to both future changes in property valuations and the Group's future financial performance.

Independent Auditor's report to the members of LXi REIT plc

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage ¹	100% (2020: 100%) of Group profit before tax 100% (2020: 100%) of Group revenue 100% (2020: 100%) of Group total assets 100% (2020: 100%) of Group investment property		
Key audit matters	2021		2020
	KAM 1	Investment property valuations	Investment property valuations
	KAM 2	–	Going Concern
	KAM 2 regarding the risk in relation to going concern is no longer considered to be a key audit matter because the risk in relation to Covid-19 has reduced.		
Materiality	Group financial statements as a whole We determined materiality for the Group financial statements as a whole to be £9,900,000 (2020: £8,300,000), which was set at 1% of Group total assets (2020: 1% of Group total assets).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates solely in the United Kingdom and operates through one segment, investment property, structured through a number of subsidiary special purpose vehicle ("SPV") companies. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions. We identified four significant components, in addition to the Parent Company:

- LXi Property Holdings 1 Limited
- LXi Property Holdings 2 Limited
- LXi Property Holdings 3 Limited
- LXi Property Holdings 4 Limited

All components were subject to full scope audits by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

¹ These are areas which have been subject to a full scope audit by the group engagement team

Key audit matter	How the scope of our audit addressed the key audit matter
Investment property valuations <i>Refer to notes 2 and 3 in relation to significant estimates and accounting policies.</i> <i>Refer to note 9 in relation investment property</i> The valuation of Investment property requires significant judgement and estimates by the Directors and the independent valuer and is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the income statement and balance sheet. There is also a risk of fraud in relation to the valuation of the property portfolio where the Directors may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations. Additionally, properties under construction involve license fee income receivable from the developer during the construction phase. Accounting for such assets is typically more complex than for standing assets.	Experience of valuer and relevance of its work • We obtained the valuation report prepared by the independent valuer and discussed the basis of the valuations with them. We confirmed that the basis of the valuations was in accordance with the requirements of accounting standards. • We assessed and confirmed the external valuer's qualifications, independence and basis of valuation. • We obtained a copy of the instructions provided to the independent valuer and reviewed for any limitations in scope or for evidence of Management bias. Data provided to the valuer • We validated the underlying data provided to the valuer by the Manager. This data included inputs such as current rent and lease term, which we agreed to the executed lease agreements as part of our audit work. Assumptions and estimates used by the valuer • We developed yield expectations on each property using available independent industry data, reports and comparable transactions in the market around the period end. • We discussed the assumptions used and the valuation movement in the period with both the Manager and the independent valuer. Where the valuation was outside of our expected range we challenged the independent valuer on specific assumptions and reasoning for the yields applied and corroborated their explanations where relevant, including agreeing to third party documentation. We also challenged the valuer regarding their views on the impact of Covid-19 on the valuation of these assets. Further, we challenged the appropriateness of the discount rates applied to the valuations with the valuer and where possible obtained evidence of comparable transactions since the declaration of the Covid-19 pandemic. • For properties under construction we assessed the project costs and progress of development and verified the forecast costs to complete included in the valuations to third party documentation. Accounting for assets under construction • We examined all forward funding agreements entered into during the year for assets under construction and confirmed that the accounting treatment of the asset recognition and the license fee income was appropriate under accounting standards. Key observations • Based on our work we have not noted any material instance which may indicate that the assumptions adopted by the Directors in the valuation were not reasonable or that the methodology applied was inappropriate.

Independent Auditor's report to the members of LXi REIT plc

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	9.90	8.30	7.33	6.30
Basis for determining materiality	Materiality for the Group and Parent Company's financial statements was set at 1% of total assets (2020: 1%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.			
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be the principal considerations for the users of the financial statements in assessing the financial performance of the Group.			
Performance materiality	6.44	4.98	4.76	3.78
Basis for determining performance materiality	Performance materiality is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 65% (2020: 60%) of materiality. We determined that the same measure as the Group was appropriate for the Parent Company.			

Specific materiality

We also determined that for other account balances, classes of transactions and disclosures not related to investment properties, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined that specific materiality for the measurement of these areas should be £1,550,000 (2020: £1,350,000). This was set at 5% (2020: 5%) of European Public Real Estate Association ("EPRA") earnings. EPRA earnings excludes the impact of the net surplus on revaluation of investment properties and profit on disposal of investment properties. We further applied a performance materiality level of 65% (2020: 60%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

We set materiality for each component of the Group on the same basis as Group materiality, being 1% (2020: 1%) of the total assets of each component and represents a percentage of between 16% and 39% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1,540,000 to £3,900,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £198,000 (2020: £166,000) for items audited to financial statement materiality, and £77,500 (2020: £67,500) for items audited to specific materiality. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 32; and
- The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 33.

Other Code provisions

- Directors' statement on fair, balanced and understandable set out on page 52;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 43;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 42; and
- The section describing the work of the audit committee set out on page 44.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's report to the members of LXi REIT plc

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, including The UK Real Estate Investment Trust ("REIT") regime, and considered the risk of acts by the Group that were contrary to the applicable laws and regulations, including fraud, of which none were noted.
- In order to address the risk of non-compliance with the REIT regime, we considered a report from the Group's external adviser, detailing the actions that the Group has undertaken to ensure compliance. This paper was reviewed, and the assumptions challenged, by our own internal expert.
- Our tests included agreeing the financial statement disclosures to underlying supporting documentation where relevant, review of Board and Committee meeting minutes, enquiries with management and the Directors as to the risks of non-compliance and any instances thereof, and we considered the appropriateness of the design and implementation of controls around procurement fraud.
- We also addressed the risk of management override of internal controls by the testing of unusual journals and evaluating whether there was evidence of bias by management and the Directors that represented a risk of material misstatement due to fraud. This included evaluating any management bias within the valuation of investment property, as mentioned under the key audit matters subheading.
- Our procedures focused on matters at both a group and component levels, with no inconsistencies found between them.

There is also a risk of fraud in relation to the valuation of the property portfolio where the Directors may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting

from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Edward Goodworth (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

18 May 2021

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

Financial Statements

Financial Statements

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Consolidated statement of comprehensive income

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

The notes on pages 64 to 92 form part of the consolidated financial statements.

Consolidated statement of financial position

Company number: 10535081

	Note	31 March 2021 £m	31 March 2020 £m
Non-current assets			
Investment property	9	887.5	809.7
Trade and other receivables	11	0.4	–
Total non-current assets		887.9	809.7
Current assets			
Trade and other receivables	11	13.7	10.1
Deferred acquisition costs		1.4	0.5
Cash and cash equivalents	12	87.1	13.4
Total current assets		102.2	24.0
Total assets		990.1	833.7
Current liabilities			
Trade and other payables	13	18.3	16.1
Total current liabilities		18.3	16.1
Non-current liabilities			
Bank borrowings	14	186.6	166.1
Trade and other payables	13	3.8	3.5
Total non-current liabilities		190.4	169.6
Total liabilities		208.7	185.7
Net assets		781.4	648.0
Equity			
Share capital	15	6.2	5.2
Share premium reserve	16	544.5	423.2
Capital reduction reserve		62.1	90.9
Retained earnings		168.6	128.7
Total equity		781.4	648.0
Net asset value per share – basic and diluted	26	125.7p	124.3p
EPRA NTA per share	26	125.7p	124.3p

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

Stephen Hubbard

Chairman of the Board of Directors

The notes on pages 64 to 92 form part of the consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 March 2021	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2020		5.2	423.2	90.9	128.7	648.0
Profit and total comprehensive income attributable to shareholders		–	–	–	39.9	39.9
Transactions with owners						
Issue of ordinary shares in the year	15,16	1.0	124.0	–	–	125.0
Share issue costs	16	–	(2.7)	–	–	(2.7)
Dividends paid in the year	17	–	–	(28.8)	–	(28.8)
Balance at 31 March 2021		6.2	544.5	62.1	168.6	781.4
Year ended 31 March 2020	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2019		3.5	229.3	115.9	55.1	403.8
Profit and total comprehensive income attributable to shareholders		–	–	–	73.6	73.6
Transactions with owners						
Issue of ordinary shares in the year	15,16	1.7	197.9	–	–	199.6
Share issue costs	16	–	(4.0)	–	–	(4.0)
Dividends paid in the year	17	–	–	(25.0)	–	(25.0)
Balance at 31 March 2020		5.2	423.2	90.9	128.7	648.0

The notes on pages 64 to 92 form part of the consolidated financial statements.

Consolidated cash flow statement

	Note	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Cash flows from operating activities			
Profit before tax		39.9	73.6
Adjustments for:			
Finance income	6	–	(0.2)
Finance costs	7	5.3	5.0
Gain on refinancing		(1.9)	–
Change in fair value of investment property	9	(0.1)	(45.4)
Gain on disposal of investment property	9	(6.3)	(1.2)
Change in fair value of derivative		–	(0.1)
Accretion of tenant lease incentives	4	(8.4)	(5.4)
Operating results before working capital changes		28.5	26.3
Increase in trade and other receivables		(2.6)	(4.9)
Increase in trade and other payables		3.0	4.4
Net cash flow generated from operating activities		28.9	25.8
Cash flows from investing activities			
Purchase of derivative		–	0.2
Purchase of investment properties		(160.5)	(260.1)
Proceeds from sale of investment property		96.0	20.9
Interest received		–	0.2
Net cash flow used in investing activities		(64.5)	(238.8)
Cash flows from financing activities			
Proceeds from shares issued in the period		125.0	199.6
Share issue costs paid		(2.7)	(3.9)
Dividend paid		(28.8)	(25.0)
Interest paid		(5.9)	(4.7)
Drawdown of borrowings		62.3	43.2
Repayment of borrowings		(40.0)	–
Loan arrangement fees paid		(0.6)	(2.2)
Net cash flow generated from financing activities		109.3	207.0
Net decrease in cash and cash equivalents		73.7	(6.0)
Cash and cash equivalents at the beginning of the year		13.4	19.4
Cash and cash equivalents at the end of the year	12	87.1	13.4

The notes on pages 64 to 92 form part of the consolidated financial statements.

Notes to the consolidated financial statements

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with the Companies Act 2006 and Article 4 of the IAS Regulations.

The financial statements have been prepared for the year ended 31 March 2021. The comparative information included in the financial statements relates to the year ended 31 March 2020.

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

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

Standards effective from 1 April 2020

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

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

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

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

Standards issued not yet effective

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

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

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

Going concern

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

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

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

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

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

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

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

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

- The Company's portfolio is 100% let or pre-let to over 50 strong tenants, across eight sub-sectors. Furthermore the tenants are the main trading or parent companies within the tenant groups
- The Company's leases average 22 years to first break and each lease is drawn on a fully repairing and insuring basis - tenants are responsible for repair, maintenance and outgoings, so there is no cost leakage for the Company.

Strong liquidity

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

Going concern statement

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

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

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

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

Notes to the consolidated financial statements (continued)

2. Significant accounting judgments, estimate and assumptions

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

Estimates:

Valuation of investment properties (Note 9)

The market value of Investment property is determined by an independent property valuation expert to be the estimated amount for which a property should exchange on the date of the valuation in an arm's-length transaction. The Group uses the valuations carried out by Knight Frank LLP (the "Independent Valuer") and Cushman & Wakefield as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income and the appropriate capitalisation rate. The Independent Valuer makes reference to market evidence of transaction prices for similar properties.

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

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

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

Judgments:

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

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

3. Summary of significant accounting policies

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

Basis of consolidation

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

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

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

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at the point where conditions to the purchase are substantially met and measured at cost, being the fair value of the consideration given,

including expenditure that is directly attributable to the acquisition of the investment property. After initial recognition, investment property is stated at its fair value at the reporting date. Gains and losses arising from changes in the fair value of investment property are included in the period in which they arise in the statement of comprehensive income.

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

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

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

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

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

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

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

Financial instruments

a. Financial assets

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

Amortised cost

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

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

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

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

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

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

b. Financial liabilities

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

Other financial liabilities

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

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

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

Fair value hierarchy

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

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

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

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

Leases – the Group as lessor

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

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

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

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

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

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

Leases – the Group as lessee

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

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

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

Taxation

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

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

Dividends payable to shareholders

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

Finance income and finance costs

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

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

Equity issue costs

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

Notes to the consolidated financial statements (continued)

4. Rental income

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

5. Administrative and other expenses

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

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

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

6. Finance income

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Interest on cash held at bank	–	0.2
	–	0.2

7. Finance costs

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

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

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

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

8. Taxation

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

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Current tax	–	–
Total current tax	–	–
Origination and reversal of temporary differences	–	–
Total deferred tax	–	–
Tax charge	–	–

Reconciliation of the total tax charge

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

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

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

Notes to the consolidated financial statements (continued)

9. Investment property

	Investment property long leasehold £m	Investment property freehold £m	Investment property in course of construction £m	Total £m
Year ended 31 March 2021				
Balance at 1 April 2020	107.3	592.3	110.1	809.7
Property acquisitions	12.8	62.0	87.3	162.1
Licence fee receivable (Note 25)	–	–	(3.5)	(3.5)
Tenant lease incentives (Note 4)	1.0	5.6	1.8	8.4
Property disposals	(0.6)	(88.7)	–	(89.3)
Change in fair value	(1.2)	(8.1)	9.4	0.1
Transfers of completed property	28.1	72.9	(101.0)	–
Balance at 31 March 2021	147.4	636.0	104.1	887.5

	Investment property long leasehold £m	Investment property freehold £m	Investment property in course of construction £m	Total £m
Year ended 31 March 2020				
Balance at 1 April 2019	33.2	451.2	27.1	511.5
Property acquisitions	71.8	105.2	92.2	269.2
Licence fee receivable (Note 25)	–	–	(2.1)	(2.1)
Tenant lease incentives (Note 4)	0.5	4.9	–	5.4
Property disposals	–	(19.7)	–	(19.7)
Change in fair value	1.8	9.2	34.4	45.4
Transfers of completed property	–	41.5	(41.5)	–
Balance at 31 March 2020	107.3	592.3	110.1	809.7

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

The Independent Valuer valued the entire property portfolio at £938.4m at 31 March 2021 (31 March 2020: £914.0m) including capital commitments on forward funded assets.

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

Reconciliation of fair value to total portfolio valuation

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

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

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

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

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

Investment property at fair value

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

There have been no transfers between levels during the year.

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

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

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

Valuation techniques

Standing assets

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

Investment property in the course of construction

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

Observable input: passing rent

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

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as a reasonable range would not result in a significant movement in fair value.

Unobservable input: net initial yield

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

Notes to the consolidated financial statements (continued)

9. Investment property (continued)

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

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

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

Sensitivities of measurement of significant inputs

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

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

Realised gain on disposal of investment property

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

	31 March 2021 £m	31 March 2020 £m
Consideration received	96.4	20.9
Less:		
Carrying value	(89.3)	(19.7)
Selling costs	(0.8)	–
Gain on disposal of investment property	6.3	1.2
Add:		
Change in fair value recognised in previous periods	2.0	2.9
Realised gain on disposal of investment property	8.3	4.1

10. Financial instruments

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

	Book value £m	Fair value £m
Bank borrowings		
31 March 2021	186.6	197.6
31 March 2020	166.1	186.3

11. Trade and other receivables

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

11. Trade and other receivables (continued)

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

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

12. Cash reserves

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

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

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

13. Trade and other payables

	31 March 2021 £m	31 March 2020 £m
Accrued investment property costs	2.2	2.2
Deferred rental income	7.2	7.3
Accruals	0.2	0.7
Trade and other payables	7.8	5.0
Corporation tax payable ¹	0.9	0.9
Amounts due within one year	18.9	16.1
Leasehold liability (Note 9)	3.8	3.5
Amounts due in more than one year	3.8	3.5

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

1 Corporation tax payable are liabilities of the Company's subsidiaries that accrued prior to acquisition and entry to the REIT regime. No tax liabilities have arisen within the Group and the tax charge for the year disclosed in Note 8 is £Nil (31 March 2020: £Nil).

14. Bank borrowings

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

	Drawn £m	Undrawn £m	Total £m
Year ended 31 March 2020			
At beginning of the year	170.0	–	170.0
New facilities	–	100.0	100.0
Drawdowns	–	–	–
At end of the year	170.0	100.0	270.0
Less: unamortised loan arrangement fees	(3.9)	–	(3.9)
	166.1	100.0	266.1

Maturity of bank borrowings

	31 March 2021 £000	31 March 2020 £000
Repayable between 1 and 2 years	–	–
Repayable between 2 and 5 years	21.2	–
Repayable after 5 years	165.4	166.1
	186.6	166.1

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

Term Loans Facilities

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

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

Notes to the consolidated financial statements (continued)

14. Bank borrowings (continued)

RCF

- A revolving credit facility of £100.0m (of which £22.3m was drawn down as at 31 March 2021) with Lloyds at a 1.55% margin over Libor on a three-year term ending August 2022, with two one-year extension options. The Group has traded an interest rate derivative to cap the interest on the £100.0m at a total of 2.95% for the three-year term. In June 2020 the Group exercised the first one-year extension option to August 2023.

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

Reconciliation of liabilities to cash flows from financing activities

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

15. Share capital

	31 March 2021 Number	31 March 2021 £m	31 March 2020 Number	31 March 2020 £m
Shares of £0.01 each				
At the beginning of the year	521.4	5.2	352.3	3.5
Issued during the year	100.4	1.0	169.1	1.7
At the end of the year	621.8	6.2	521.4	5.2
Issued and fully paid	621.8	6.2	521.4	5.2

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

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

* includes amounts paid out of restricted cash which are not classified as cash and cash equivalents. These drawdowns are not included in the drawdowns disclosed in the first table included in this note.

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.

	31 March 2021 £m	31 March 2020 £m
Share premium reserve		
At the beginning of the year	423.2	229.3
Premium on issue of ordinary shares	124.0	197.9
Share issue costs	(2.7)	(4.0)
At the end of the year	544.5	423.2

17. Dividends

Dividends paid and declared	£m
Year ended 31 March 2021	
Final dividend in respect of year ended 31 March 2020 at 1.4375p per share	7.5
First quarterly dividend in respect of year ended 31 March 2021 at 1.30p per share	6.8
Second quarterly dividend in respect of year ended 31 March 2021 at 1.35p per share	7.0
Third quarterly dividend in respect of year ended 31 March 2021 at 1.44p per share	7.5
Total dividends paid	28.8
Total dividend per share paid in the year	5.5275p
Total dividend per share paid and proposed in respect of the year	5.55p

Dividends in respect of the year ending 31 March 2021

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

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

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

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

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

Notes to the consolidated financial statements (continued)

17. Dividends (continued)

Dividends in respect of the year ending 31 March 2020

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

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

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

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

18. Leases

The Group as lessor

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

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

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

The Group as lessee

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

Lease receivables	< 1 year £m	2-5 years £m	> 5 years £m	Total £m
31 March 2021	0.1	0.4	13.6	14.1
31 March 2020	0.1	0.3	13.3	13.7

The above is in respect of leasehold properties held by the Group. There are 30 properties (2020: 30) held under leasehold with lease ranges from 99 years to 999 years.

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

19. Segmental information

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

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

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

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

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

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

20. Related party transactions

Transactions with the Board of Directors

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

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

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

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

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

Transactions with the Investment Advisor

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

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

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

No performance fee is payable to the Investment Advisor.

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

Notes to the consolidated financial statements (continued)

21. Consolidated entities

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

Name of Entity	Principal activity	Country of incorporation	Ownership
LXi Property Holdings 1 Limited	Property Investment	UK	100%
LXi Property Holdings 2 Limited*	Property Investment	UK	100%
LXi Property Holdings 3 Limited	Property Investment	UK	100%
LXi Property Holdings 4 Limited	Property Investment	UK	100%
LXi Property Holdings 4a Limited*	Property Investment	UK	100%
Alco 1 Limited*	Property Investment	UK	100%
FPI Co 223 Limited*	Property Investment	UK	100%
LXi Cowdenbeath Limited*	Property Investment	UK	100%
SM Plymouth Hotel Limited*	Property Investment	UK	100%
Corby (General Partner) Limited*	Property Investment	UK	100%
Corby Rail Services Limited*	Property Investment	UK	100%
Corby Limited Partnership*	Property Investment	UK	100%
Corby (No.2) Unit Trust*	Property Investment	Jersey	100%
Grove Asset 8 S.A R.L.*	Property Investment	Luxembourg	100%
LXi Spirit Limited	Property investment	Isle of Man	100%

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

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

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

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

22. Financial risk management

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

Interest rate risk

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

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

Credit risk

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

Credit risk related to financial instruments and cash deposits

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

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

* Subsidiaries indirectly owned

Credit risk related to leasing activities

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

Liquidity risk

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

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

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

Capital management

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

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

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

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

23. Capital commitments

At 31 March 2021 the Group had capital commitments of £48.0m (31 March 2020: £101.2m) in relation to the cost to complete its forward funded pre-let development assets. All commitments fall due for settlement within one year from the date of this report.

24. Contingent liabilities

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

25. Earnings per share

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

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m
Earnings	39.9	73.6
Weighted average number of ordinary shares (million)	526.1	485.4
Earnings per share ("EPS")	7.6p	15.2p
Adjustments to remove:		
Change in fair value of investment property	(0.1)	(45.4)
Gain on disposal of investment property	(6.3)	(1.2)
Change in fair value of interest rate derivative	–	0.1
EPRA earnings	33.5	27.1
Weighted average number of ordinary shares (million)	526.1	485.4
EPRA EPS	6.4p	5.6p
Adjustments to include:		
Licence fees receivable	3.5	2.1
Amortisation of cash backed rental top ups and rent-free periods	2.2	1.3
Adjusted earnings	39.2	30.5
Weighted average number of ordinary shares (million)	526.1	485.4
Adjusted EPS	7.5p	6.3p
Adjustments to exclude:		
Gain on refinancing	(1.9)	–
Accretion of tenant lease incentives (Note 9)	(8.4)	(5.4)
Adjusted cash earnings	28.9	25.1
Weighted average number of ordinary shares (million)	526.1	485.4
Adjusted cash EPS	5.5p	5.2p

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

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

26. Net asset value per share

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

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

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.

27. Post balance sheet events

Dividends

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

Acquisitions and disposals

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

- an Asda foodstore in Clydebank, Glasgow with a 23-year unexpired lease term and five yearly RPI linked uplifts (exchanged prior to the year end and completed shortly after)
- a pre-let forward funding of a Lidl foodstore in East Ham, Greater London with a 25-year lease from build completion and five yearly RPI linked uplifts (exchanged prior to the year end and completed shortly after)
- a Tesco foodstore in Welling, Greater London with a 15-year unexpired lease term and five yearly RPI linked uplifts (exchanged contracts prior to the year end with completion expected Q2 2021)
- a pre-let forward funding of a Aldi in Glasgow with a 16-year lease from build completion and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)
- a Dobbies garden centre in Gloucester with a 35-year unexpired lease term and annual RPI linked uplifts (completed post year end)
- a Cazoo industrial asset in Doncaster with a 19.5-year unexpired lease term and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)
- a pre-let forward funding of a portfolio of 11 Costa drive-thru assets diversified across the UK with a 15-unexpired lease term and five yearly RPI linked uplifts (exchanged contracts with completion expected Q2 2021)
- a substantial industrial facility in the Midlands with a 25-year unexpired lease term and five yearly RPI linked uplifts (completed post year end)

Debt extension

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

28. Controlling parties

There is no ultimate controlling party of the Group.

PART 2

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS (TOGETHER WITH THE INDEPENDENT AUDIT REPORT AND NOTES TO THE FINANCIAL STATEMENTS) OF THE LXI GROUP FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

Independent Auditor's report to the members of LXi REIT plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of LXi REIT plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and Company statement of changes in equity, the Consolidated cash flow statement and notes to the Consolidated and Company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Directors on 25 August 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ending 31 March 2018 to 31 March 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included: the following considerations:

- Using our knowledge of the Group and its market sector together with the current economic environment to assess the Directors' identification of the inherent risks to the Group's business and how these might impact the Group's ability to remain a going concern for the going concern period, being the period to 30 June 2023, which is at least 12 months from when the financial statements are authorised for issue;
- Obtaining an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;
- Obtaining management's going concern assessment and long-term viability statement and:
 - Assessing the Group's forecast cash flows with reference to budgeted and historic performance and challenging management's forecast assumptions in comparison to the current performance of the Group;
 - Agreeing the inputs into the forecasts to supporting documentation for reasonableness based on historic activity and contractual agreements;
 - Agreeing the Group's available borrowing facilities and the related terms and covenants to loan agreements;
- Analysing the sensitivities applied by the Directors' stress testing calculations and challenging the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected;
- Obtaining covenant calculations and forecast calculations to test for any potential future covenant breaches;
- Considering the covenant compliance headroom for sensitivity to both future changes in property valuations and the Group's future financial performance;
- Considering board minutes, and evidence obtained through the audit and challenged management on the identification of any contradictory information in the forecasts and the resultant impact to the going concern assessment;
- Reviewing the disclosures in the financial statements relating to going concern to check that the disclosure is consistent with the circumstances.

Independent Auditor's report to the members of LXi REIT plc

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage ¹	100% (2021: 100%) of Group profit before tax 100% (2021: 100%) of Group revenue 100% (2021: 100%) of Group total assets 100% (2021: 100%) of Group investment property		
Key audit matters	2022		2021
	KAM 1	Investment property valuations	Investment property valuations
Materiality	Group financial statements as a whole £15.9m (2021: £9.9m) based on 1% (2021: 1%) of total assets		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates solely in the United Kingdom and operates through one segment, investment property, structured through a number of subsidiary special purpose vehicle ("SPV") companies. The Group audit team performed all work necessary to issue the Group and Parent company audit opinions. We identified four significant components, in addition to the Parent Company:

LXi Property Holdings 1 Limited

LXi Property Holdings 2 Limited

LXi Property Holdings 3 Limited

LXi Property Holdings 4 Limited

All significant components, and the Parent Company, were subject to full scope audits by the Group audit team. The remainder of the Group's components were audited as a whole, by financial statement area. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Investment property valuations <i>Refer to notes 2 and 3 in relation to significant estimates and accounting policies.</i> <i>Refer to note 8 in relation investment property.</i> The valuation of Investment property requires significant judgement and estimates by the Directors and the independent valuer appointed by management and is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the income statement and balance sheet. There is also a risk of fraud in relation to the valuation of the property portfolio where the Directors may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets. Additionally, properties under construction involve license fee income receivable from the developer during the construction phase. Accounting for such assets is typically more complex than for standing assets.	Experience of valuer and relevance of its work - We obtained the valuation report prepared by the independent valuer and discussed the basis of the valuations with them. We determined whether the basis of the valuations was in accordance with the requirements of accounting standards. - We assessed the external valuer's qualifications, independence and basis of valuation. - We obtained a copy of the instructions provided to the independent valuer and reviewed for any limitations in scope or for evidence of Management bias. Data provided to the valuer - We validated the underlying data provided to the valuer by the Manager. This data included inputs such as current rent and lease term, for which we agreed all to the executed lease agreements as part of our audit work. Assumptions and estimates used by the valuer - We developed yield expectations on each property using available independent industry data, reports and comparable transactions in the market around the period end. - We discussed the assumptions used and the valuation movement in the period with both the Manager and the independent valuer. Where the valuation was outside of our expected range we challenged the independent valuer on specific assumptions and reasoning for the yields applied and corroborated their explanations where relevant, including agreeing to third party documentation. We also challenged the valuer regarding their views on the impact of wider macroeconomic events on the valuation of these assets. Further, we challenged the appropriateness of the discount rates applied to the valuations with the valuer and where possible obtained evidence of comparable market transactions through independent sources. - For properties under construction we assessed the project costs and progress of development, by agreeing funding drawdowns during the year to third party documentation, and verified the forecast costs to complete included in the valuations to third party documentation. - We consulted with internal RICS-qualified experts as part of setting our expectations. They also attended the audit meetings with the Group's valuers to assist us in assessing that explanations provided were appropriate and in line with market knowledge. Accounting for assets under construction - We examined all forward funding agreements entered into during the year for assets under construction and determined whether the accounting treatment of the asset recognition and the license fee income was appropriate under accounting standards. Key observations - Based on our work we have not noted any material instance which may indicate that the assumptions adopted by the Directors in the valuation of investment property were not reasonable or that the methodology applied was inappropriate.

Independent Auditor's report to the members of LXi REIT plc

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	15.9	9.9	10.1	7.3
Basis for determining materiality	Materiality for the Group and Parent Company's financial statements was set at 1% (2021: 1%) of total assets.			
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be the principal considerations for the users of the financial statements in assessing the financial performance of the Group.			
Performance materiality	10.3	6.4	6.6	4.8
Basis for determining performance materiality	On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 65% (2021: 65%) of materiality. We determined that the same measure as the Group was appropriate for the Parent Company.			

Specific materiality

We also determined that for the measurement of other account balances and classes of transactions not related to investment properties, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined that specific materiality for these areas should be £2.1m (2021: £1.6m). This is based on 5% (2021: 5%) of European Public Real Estate Association ("EPRA") earnings. EPRA earnings excludes the impact of the net surplus on revaluation of investment properties and profit on disposal of investment properties. We further applied a performance materiality level of 65% (2021: 65%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

We set materiality for each component of the Group on the same basis as Group materiality, being 1% (2021: 1%) of the total assets of each component. Component materiality ranged from £2m to £7.3m (2021: £1.5m to £4m). In the audit of each component, we further applied performance materiality levels of 65% (2021: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £317,000 (2021: £198,000) for items audited to financial statement materiality, and £41,000 (2021: £77,500) for items audited to specific materiality. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 38; and
- The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 39.

Other Code provisions

- Directors' statement on fair, balanced and understandable set out on page 54;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 60;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 50; and
- The section describing the work of the audit committee set out on page 52.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's report to the members of LXi REIT plc

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Our procedures focused on matters at both a group and component levels.
- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, including The UK Real Estate Investment Trust ("REIT") regime, the Companies Act 2006 and the UK Listing Rules, and considered the risk of acts by the Group that were contrary to the applicable laws and regulations, including fraud, of which none were noted.
- In order to address the risk of non-compliance with the REIT regime, we considered a report from the Group's external adviser, detailing the actions that the Group has undertaken to ensure compliance. This paper was reviewed, and the assumptions challenged, by our own internal expert.
- We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be revenue recognition, investment property valuations, and management override of controls. To address the fraud risk in relation to revenue recognition, we assessed the Directors' judgements of lease terms for any evidence of bias, recalculated and traced to source documentation the details of any lease incentives, and traced a sample of rental income to cash receipts to address the completeness of lease incentives and rent concessions. Procedures to address the fraud risk in respect of investment property valuations and management override of controls are detailed further in the key audit matters subheading and the procedures below respectively.
- Our tests included agreeing the financial statement disclosures to underlying supporting documentation where relevant, review of Board and Committee meeting minutes, enquiries with management and the Directors as to the risks of non-compliance and any instances thereof, and we obtained an understanding of the client's controls around procurement fraud.
- We made enquiries of the Directors as to whether there were any known or suspected instances of fraud in the year, or since the year end.

- We also addressed the risk of management override of internal controls by the testing of unusual journals and evaluating whether there was evidence of bias by management and the Directors that represented a risk of material misstatement due to fraud. This included evaluating any management bias within the valuation of investment property, as mentioned under the key audit matters subheading.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Edward Goodworth (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

6 June 2022

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

Financial Statements

Financial Statements

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Consolidated statement of comprehensive income

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Rental income	4	58.5	42.8
Administrative and other expenses	5	(9.3)	(5.9)
Operating profit before change in fair value and gain on disposal of investment property		49.2	36.9
Change in fair value of investment property	8	117.7	0.1
Gain on disposal of investment property	8	–	6.3
Change in fair value of financial instruments		1.2	–
Operating profit		168.1	43.3
Gain on refinancing		–	1.9
Finance costs	6	(6.8)	(5.3)
Profit before tax		161.3	39.9
Taxation	7	0.7	–
Profit and total comprehensive income attributable to shareholders		162.0	39.9
Earnings per share – basic and diluted	24	22.8p	7.6p

The notes on pages 72 to 94 form part of the consolidated financial statements.

Consolidated statement of financial position

Company number: 10535081

	Note	31 March 2022 £m	31 March 2021 £m
Non-current assets			
Investment property	8	1,480.1	887.5
Trade and other receivables	11	–	0.4
Total non-current assets		1,480.1	887.9
Current assets			
Trade and other receivables	11	19.4	13.7
Assets held for sale	9	19.0	–
Deferred acquisition costs		0.7	1.4
Financial instruments		1.2	–
Cash and cash equivalents	12	72.5	87.1
Total current assets		112.8	102.2
Total assets		1,592.9	990.1
Current liabilities			
Trade and other payables	13	38.6	18.3
Total current liabilities		38.6	18.3
Non-current liabilities			
Bank borrowings	14	240.0	186.6
Trade and other payables	13	13.6	3.8
Total non-current liabilities		253.6	190.4
Total liabilities		292.2	208.7
Net assets		1,300.7	781.4
Equity			
Share capital	15	9.1	6.2
Share premium reserve	16	940.0	544.5
Capital reduction reserve		21.0	62.1
Retained earnings		330.6	168.6
Total equity		1,300.7	781.4
Net asset value per share – basic and diluted	25	142.7p	125.7p
EPRA NTA per share	25	142.6p	125.7p

The consolidated financial statements were approved and authorised for issue by the Board on 6 June 2022 and signed on its behalf by:

Cyrus Ardalan
Chairman

The notes on pages 72 to 94 form part of the consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 March 2022	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2021		6.2	544.5	62.1	168.6	781.4
Profit and total comprehensive income attributable to shareholders		–	–	–	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
Year ended 31 March 2021	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2020		5.2	423.2	90.9	128.7	648.0
Profit and total comprehensive income attributable to shareholders		–	–	–	39.9	39.9
Transactions with owners						
Issue of ordinary shares in the year	15,16	1.0	124.0	–	–	125.0
Share issue costs	16	–	(2.7)	–	–	(2.7)
Dividends paid in the year	17	–	–	(28.8)	–	(28.8)
Balance at 31 March 2021		6.2	544.5	62.1	168.6	781.4

The notes on pages 72 to 94 form part of the consolidated financial statements.

Consolidated cash flow statement

	Note	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Cash flows from operating activities			
Profit before tax		161.3	39.9
Adjustments for:			
Finance costs	6	6.8	5.3
Gain on refinancing		–	(1.9)
Change in fair value of investment property	8	(117.7)	(0.1)
Gain on disposal of investment property	8	–	(6.3)
Change in fair value of derivative		(1.2)	–
Accretion of tenant lease incentives	4	(9.9)	(8.4)
Operating results before working capital changes		39.3	28.5
Increase in trade and other receivables		(3.2)	(2.6)
Increase in trade and other payables		15.3	3.0
Net cash flow generated from operating activities		51.4	28.9
Cash flows from investing activities			
Purchase of derivative		(0.1)	–
Purchase of investment properties		(425.4)	(160.5)
Proceeds from sale of investment property		8.3	96.0
Net cash flow used in investing activities		(417.2)	(64.5)
Cash flows from financing activities			
Proceeds from shares issued in the year		353.8	125.0
Share issue costs paid		(7.2)	(2.7)
Dividend paid		(41.1)	(28.8)
Interest paid		(6.6)	(5.9)
Drawdown of borrowings		239.7	62.3
Repayment of borrowings		(186.0)	(40.0)
Loan arrangement fees paid		(1.4)	(0.6)
Net cash flow generated from financing activities		351.2	109.3
Net (decrease)/increase in cash and cash equivalents		(14.6)	73.7
Cash and cash equivalents at the beginning of the year		87.1	13.4
Cash and cash equivalents at the end of the year	12	72.5	87.1

The notes on pages 72 to 94 form part of the consolidated financial statements.

Notes to the consolidated financial statements

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs) and in accordance with the Companies Act 2006 and Article 4 of the IAS Regulations.

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

The financial statements have been prepared for the year ended 31 March 2022. The comparative information included in the financial statements relates to the year ended 31 March 2021.

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

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

Standards effective from 1 April 2021

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

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments provide relief to the Group in respect of certain loans whose contractual terms are affected by interest benchmark reform (effective from 1 January 2021). Applying the practical expedient introduced by the amendments, when the benchmarks are replaced the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the loans' benchmark interest rate will not result in an immediate gain or loss recorded in profit or loss.
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021. The amendment extends the practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment COVID-19-Related Rent Concessions. Accordingly, the Group has applied the amendment Covid-19-Related Rent Concessions beyond 30 June 2021 in the current annual financial statements.

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.
- Amendments to IFRS 3 Business Combinations and IAS 8 Accounting policies (effective for periods beginning on or after 1 January 2022)

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

Going concern

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

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

Non-essential retail, hospitality and leisure facilities re-opened from 12 April 2021. From 17 May 2021 indoor hospitality and the remainder of businesses in all but the highest risk sectors have also re-opened and remained open. From 19 July 2021, all restrictions on businesses were lifted and the remaining closed sectors of the economy reopened.

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.

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

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

- The Group's loan to value ("LTV") as at 31 March 2022 was 22%, this provides significant headroom to the covenant of 50%
- The Group's portfolio is currently valued at £1,544.4m reflecting a valuation yield of 4.5% with debt on balance sheet of £246.0m gross of unamortised costs
- The Group's forward looking interest cover ratio ("ICR") is c.767% versus the interest cover test of 300% in its banking facilities
- The Group has no immediate refinancing risk given the 12-year average maturity of its long term debt facilities with Scottish Widows which expires in December 2033, which are fully fixed at an all-in average rate of 2.85% pa and over two years remaining on the Group's RCF

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

- The Group's portfolio is 100% let or pre-let to over 70 strong tenants, across 11 sub-sectors. Furthermore the tenants are the main trading or parent companies within the tenant groups
- The Group's leases average 21 years to first break and each lease is drawn on a fully repairing and insuring basis - tenants are responsible for repair, maintenance and outgoings, so there is no cost leakage for the Company

Strong liquidity

- At 31 March 2022 the Group had net assets of £1,300.7m (31 March 2021: £781.4m) and a cash balance of £72.5m (31 March 2021: £87.1m) with £89.0m of undrawn revolving credit facility (£31 March 2021: £76.7m)

Going concern statement

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

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

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

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

The Board have also considered reverse stress testing and the circumstances that would lead to a covenant breach of the loan to value covenant and the interest cover ratio covenant. A reduction in the value of our property portfolio by 66% would be required in order for the valuation to reach the LTV covenant. Our contracted rental income would have to fall by 70% before the interest cover ratio covenant is breached.

Notes to the consolidated financial statements (continued)

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 makes reference to market evidence of transaction prices for similar properties.

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

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

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

3. Summary of significant accounting policies

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

Basis of consolidation

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

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

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

Investment property

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

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 material financial assets held at fair value through profit or loss. The Group's accounting policy for financial assets classified as amortised cost is as follows:

Amortised cost

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

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

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

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

Restricted cash represents cash withheld by the lender on drawdowns of borrowings referred to in Note 14 until the certain security is provided to release the funds as well as amounts withheld when a securitised asset is disposed prior to the bank replacing the asset with adequate security and in consequence, 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.

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.

Notes to the consolidated financial statements (continued)

4. Rental income

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Rental income from investment property	48.6	34.4
Accretion of tenant lease incentives (Note 8)	9.9	8.4
	58.5	42.8

5. Administrative and other expenses

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Investment advisory fees (Note 20)	7.1	4.4
Legal and professional fees	0.5	0.5
Other administrative costs	0.6	0.3
Corporate administration fees	0.3	0.3
Fees paid to the Company's Independent Auditor	0.2	0.2
Directors' fees (Note 20)	0.3	0.3
Recruitment fees	0.2	–
Advertising & Marketing	0.1	0.1
Expected credit loss movement	–	(0.2)
	9.3	5.9

Fees paid to the Company's Independent Auditor comprise the review of the Interim Report (31 March 2022: fees less than £0.1m 31 March 2021: less than £0.1m), the audit of the Annual Report and the audit of the financial statements of the Company's subsidiaries.

The Company paid £0.1m of additional fees to the Company's Independent Auditor in respect of reporting accountant services in the year which have been recognised directly in equity as share issue costs (31 March 2021: £0.1m). Refer to the Report of the Audit Committee section.

6. Finance costs

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Interest payable on bank borrowings	5.4	4.6
Amortisation of loan arrangement fees	1.2	0.7
Leasehold interest	0.2	–
	6.8	5.3

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

- (i) the interest payable on bank borrowings totalling £6.5m of which £1.1m was capitalised (31 March 2021: £5.9m of which £1.3m was capitalised); and
- (ii) the amortisation of loan arrangement fees totalling £1.2m of which £nil was capitalised (31 March 2021: £0.7m of which £nil was capitalised).

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

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 year.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Current tax	0.7	–
Total current tax	0.7	–
Origination and reversal of temporary differences	–	–
Total deferred tax	–	–
Tax credit	0.7	–

The tax credit in the year relates to the release of a previously over-accrued tax charge.

Reconciliation of the total tax charge

The reconciliation of profit before tax multiplied by the standard rate of corporation tax for the year of 19% (31 March 2021: 19%) to the total tax charge in the consolidated statement of comprehensive income is as follows:

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Profit before tax	161.3	39.9
Tax at the standard rate of UK corporation tax of 19%	30.6	7.6
Effects of:		
REIT exempt income	(8.5)	(7.6)
Revaluation of investment properties	(22.4)	–
Gain on disposal of investment properties	0.4	–
Residual losses brought forward as at 31 March 2021	(0.4)	–
Residual losses not recognised as deferred tax asset	0.3	–
Reversal of overstated tax creditor	0.7	–
Tax charge	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.

Notes to the consolidated financial statements (continued)

8. Investment property

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

	Investment property long leasehold £m	Investment property freehold £m	Investment property in course of construction £m	Total £m
Year ended 31 March 2021				
Balance at 1 April 2020	107.3	592.3	110.1	809.7
Property acquisitions	12.8	62.0	87.3	162.1
Licence fee receivable (Note 24)	–	–	(3.5)	(3.5)
Tenant lease incentives (Note 4)	1.0	5.6	1.8	8.4
Property disposals	(0.6)	(88.7)	–	(89.3)
Change in fair value	(1.2)	(8.1)	9.4	0.1
Transfers of completed property	28.1	72.9	(101.0)	–
Balance at 31 March 2021	147.4	636.0	104.1	887.5

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

The Independent Valuer valued the entire property portfolio at £1,544.4m at 31 March 2022 (31 March 2021: £938.4m) including capital commitments on forward funded assets.

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

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

Reconciliation of fair value to total portfolio valuation

	31 March 2022 £m	31 March 2021 £m
Investment property at fair value	1,480.1	887.5
Assets held for sale at fair value	19.0	–
Capital commitments on forward funded assets (Note 23)	53.6	48.0
Vendor discount in respect of rent-free periods and top-ups	3.0	4.0
Licence fee receivable	1.5	2.7
Leasehold liability (Note 13)	(12.8)	(3.8)
Total completed portfolio valuation	1,544.4	938.4

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

Investment property at fair value

Valuation	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total £m
31 March 2022	–	–	1,499.1	1,499.1
31 March 2021	–	–	887.5	887.5

Investment property at fair value includes investment property held for sale. There have been no transfers between levels during the year.

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

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

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

Valuation techniques

Standing assets

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

Investment property in the course of construction

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

Observable input: passing rent

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

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as a reasonable range would not result in a significant movement in fair value.

Notes to the consolidated financial statements (continued)

8. Investment property (continued)

Unobservable input: net initial yield

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

Sector	Passing rent pa 31 March 2022 ¹ £m	Passing rent pa range ¹ £m	Valuation 31 March 2022 ¹ £m	Valuation yield range ¹ %
Foodstores and essentials	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
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 Centre	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

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

1 Excludes assets that had exchanged but not completed 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
31 March 2022	(60.8)	60.8	(64.9)	72.7
31 March 2021	(46.9)	46.9	(45.3)	50.2

Realised gain on disposal of investment property

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

	31 March 2022 £m	31 March 2021 £m
Consideration received	8.3	96.4
Less:		
Carrying value	(8.3)	(89.3)
Selling costs	–	(0.8)
Gain on disposal of investment property	–	6.3
Add:		
Change in fair value recognised in previous periods	2.1	2.0
Realised gain on disposal of investment property	2.1	8.3

9. Assets held for sale

	31 March 2022 £m	31 March 2021 £m
Assets held for sale	19.0	–
	19.0	–

Assets held for sale relate to investment property for which there was board approval to dispose of at the year end date and the intention is to dispose of these assets within 12-months. One property is classified as held for sale at the year end for which contracts have been exchanged to sell.

10. Financial instruments

Set out below is a comparison of the book value and fair value of the Group's financial instruments where a difference exists. The fair value of bank borrowings is based on Level 2 inputs under IFRS 13 hierarchy. There have been no transfers between levels during the year. The fair value of financial instruments not included in the comparison is equal to book value.

	Book value £m	Fair value £m
Bank borrowings		
31 March 2022	240.0	237.1
31 March 2021	186.6	197.6

11. Trade and other receivables

	31 March 2022 £m	31 March 2021 £m
Recoverable VAT	5.7	3.7
Licence fee receivable	5.3	3.1
Rent receivable	8.0	6.7
Prepayments and other receivables	0.4	0.2
Amounts due within one year	19.4	13.7
Rent receivable	–	0.4
Amounts due in more than one year	–	0.4

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

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

Notes to the consolidated financial statements (continued)

11. Trade and other receivables (continued)

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

Trade and other receivables that are financial assets amount to £13.3m (31 March 2021: £10.2m) which comprises licence fee receivable and rent receivable.

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

	31 March 2022 £000	31 March 2021 £000
30 days or fewer	13.0	9.3
31 to 60 days	0.1	–
61 to 90 days	0.1	–
91 days or more	0.1	0.5
Over one year	–	0.4
	13.3	10.2

12. Cash reserves

	31 March 2022 £m	31 March 2021 £m
Cash at bank	26.0	83.8
Cash held by lawyers	46.5	3.3
Total cash at bank	72.5	87.1

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

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. 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. The Group does not have a restricted cash balance at the year end (2021: nil).

13. Trade and other payables

	31 March 2022 £m	31 March 2021 £m
Accrued investment property costs	4.0	2.2
Deferred rental income	14.5	7.2
Accruals	0.4	0.2
Trade and other payables	17.9	7.8
Leasehold liability	0.3	–
Retentions payable	1.5	–
Corporation tax payable	–	0.9
Amounts due within one year	38.6	18.3
Leasehold liability	12.5	3.8
Retentions payable	1.1	–
Amounts due in more than one year	13.6	3.8

Trade and other payables that are financial liabilities amount to £37.7m (31 March 2021: £14.0m) which comprises accrued investment property costs, accruals, retentions, trade and other payables and the leasehold liability.

14. Bank borrowings

	Drawn £m	Undrawn £m	Total £m
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

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

Maturity of bank borrowings

	31 March 2022 £000	31 March 2021 £000
Repayable between 1 and 2 years	74.6	–
Repayable between 2 and 5 years	–	21.2
Repayable after 5 years	165.4	165.4
	240.0	186.6

At 31 March 2022, the Group's borrowings comprise the following three term loan facilities with Scottish Widows Limited and one RCF with Lloyds Bank plc:

Term Loans Facilities

- A fixed rate, interest only loan facility of £55.0m. The facility has an all-in rate of 2.74% pa, for the duration of the loan term and is due for repayment in December 2033
- 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

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

Notes to the consolidated financial statements (continued)

14. Bank borrowings (continued)

RCF

- A revolving credit facility of £165.0m (of which £76.0m was drawn down as at 31 March 2022) with Lloyds and RBSI at a 1.55% margin over SONIA maturing in August 2023. The RCF was extended by £65.0m in the year with £65.0m committed by RBSI who entered the facility agreement as an additional lender. The Group has traded an interest rate derivative to cap the interest on the full facility at a total of 2.95%. The derivative is held on the balance sheet at fair value.

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

Reconciliation of liabilities to cash flows from financing activities

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Bank borrowings and leasehold liability at start of the year	190.4	169.6
Cash flows from financing activities		
Bank borrowings drawn	239.7	62.3*
Bank borrowings repaid	(186.0)	(40.0)
Loan arrangement fees paid	(1.4)	(0.6)
Non-cash movements		
Amortisation of loan arrangement fees	1.1	0.7
Gain on refinancing	-	(1.9)
Increase in leasehold liability resulting from property acquisitions	9.0	0.3
Bank borrowings and leasehold liability at the end of the year	252.8	190.4

15. Share capital

	31 March 2022 Number (million)	31 March 2022 £m	31 March 2021 Number (million)	31 March 2021 £m
Shares of £0.01 each				
At the beginning of the year	621.8	6.2	521.4	5.2
Issued during the year	289.8	2.9	100.4	1.0
At the end of the year	911.6	9.1	621.8	6.2
Issued and fully paid	911.6	9.1	621.8	6.2

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

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

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.

* 2021 figure includes amounts paid out of restricted cash which are not classified as cash and cash equivalents. These drawdowns are not included in the drawdowns disclosed in the first table included in this note.

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.

	31 March 2022 £m	31 March 2021 £m
Share premium reserve		
At the beginning of the year	544.5	423.2
Premium on issue of ordinary shares	402.6	124.0
Share issue costs	(7.1)	(2.7)
At the end of the year	940.0	544.5

17. Dividends

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

Dividends in respect of the year ending 31 March 2022

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 ordinary share, payable to shareholders on the register at the close of business on 24 June 2022.

Dividends paid and declared	£m
Dividends in respect of the year ended 31 March 2020	
Fourth quarterly dividend at 1.4375p per share	7.5
Dividends in respect of the year ended 31 March 2021	
First quarterly dividend at 1.30p per share	6.8
Second quarterly at 1.35p per share	7.0
Third quarterly dividend at 1.44p per share	7.5
Total dividends paid	28.8
Total dividend per share paid in the year	5.5275p
Total dividend per share proposed in respect of the year	5.55p

17. Dividends (continued)

Dividends in respect of the year ending 31 March 2021

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

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

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

On 19 May 2021, the Company announced a final dividend in respect of the year ended 31 March 2021 of 1.46p per share which was paid on 16 July 2021 to shareholders on the register on 24 June 2021.

18. Leases

The Group as lessor

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

Lease receivables	< 1 year £m	2-5 years £m	> 5 years £m	Total £m
31 March 2022	68.2	281.8	1,288.5	1,638.5
31 March 2021	39.1	167.4	692.0	898.5

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

The Group as lessee

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

Lease receivables	< 1 year £m	2-5 years £m	> 5 years £m	Total £m
31 March 2022	0.3	1.3	36.6	38.2
31 March 2021	0.1	0.4	13.6	14.1

The above is in respect of leasehold properties held by the Group. There are 37 properties (2021: 30) held under leasehold with lease ranges from 99 years to 999 years. The increase in lease payables in the period is mainly attributable to the acquisition of an investment property in the year with a headlease charge of 19.43% of the rent received from the tenant. The remaining term of the headlease is 130 years.

The Group's leasing arrangements with lessors are headlease arrangements on land and buildings that have been sub-let under the Group's normal leasing arrangements (see above) to tenants. The Group carries its interest in these headlease arrangements as long leasehold investment property (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 11 different property sub-sectors. The Board considers that all the properties have similar economic characteristics. Therefore, in the view of the Board, there is one reportable segment.

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

During the year the Group had no tenant (31 March 2021: Nil) that is considered a major customer, contributing more than 10% of the Group's contractual annual passing rent. Based on rental income recognised in the year, the Group had no tenant (31 March 2021: one) that contributed more than 10% of the Group's turnover. The Group's turnover is allocated to major customers as follows:

	31 March 2022		31 March 2021	
		£m		£m
Major customers	–	–	11%	3.8
Other tenants (each less than 10%)	100%	48.1	89%	30.6
Rental income from investment property (Note 4)	100%	48.1	100%	34.4

20. Related party transactions

Transactions with the Board of Directors

In respect of the year ended 31 March 2022 there were £0.3m fees payable to the Directors (31 March 2021: £0.3m) in the form of short-term employee benefits. Employers NI contributions were nil in the year (31 March 2021: nil).

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

Notes to the consolidated financial statements (continued)

20. Related party transactions (continued)

The following table summarises the number of ordinary shares purchased during the year by Directors, including the two purchases above, and the number of ordinary shares held at 31 March 2022:

		31 March 2022 Number	31 March 2021 Number
Stephen Hubbard (resigned 11 March 2022)	Purchased	–	16,000
	Held	185,389	185,389
Cyrus Ardalan (appointed 13 January 2022)	Purchased	206,000	–
	Held	206,000	–
Colin Smith OBE (resigned 11 March 2022)	Purchased	–	25,000
	Held	247,909	247,909
John Cartwright*	Purchased	–	0
	Held	66,687	66,687
Jan Etherden	Purchased	–	20,000
	Held	77,274	77,274
Patricia Dimond**	Purchased	14,084	25,436
	Held	39,520	25,436
Hugh Seaborn (appointed 13 January 2022)	Purchased	–	–
	Held	–	–
Ismat Levin (appointed 13 January 2022)	Purchased	14,084	–
	Held	14,084	–

* 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 Patricia Dimond.

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

Transactions with the Investment Advisor

A fee of £7.1m was payable to the Investment Advisor in respect of the year (31 March 2021: £4.4m). At 31 March 2022, £0.9m was due to the Investment Advisor (31 March 2021: £0.5m) for provision of key management services.

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

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

No performance fee is payable to the Investment Advisor.

21. Consolidated entities

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

Name of Entity	Principal activity	Country of incorporation	Ownership
LXi Property Holdings 1 Limited	Property Investment	UK	100%
LXi Property Holdings 2 Limited*	Property Investment	UK	100%
LXi Property Holdings 3 Limited	Property Investment	UK	100%
LXi Property Holdings 4 Limited	Property Investment	UK	100%
LXi Property Holdings 4a Limited*	Property Investment	UK	100%
LXi Property Holdings 5 Limited	Property Investment	UK	100%
LXi Property Holdings 5a 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 Holdings Limited*	Property Investment	UK	100%
Corby (No.2) Unit Trust*	Property Investment	Jersey	100%
Grove Asset 8 S.A R.L.*	Property Investment	Luxembourg	100%
LXi Spirit Limited*	Property investment	Isle of Man	100%
Welling Property Limited*	Property Investment	BVI	100%

* Subsidiaries indirectly owned.

The registered office for UK subsidiaries is 6th Floor 125 London Wall, London, England, EC2Y 5AS.

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

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

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

22. Financial risk management

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

Interest rate risk

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

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

Credit risk

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

Credit risk related to financial instruments and cash deposits

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

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

Notes to the consolidated financial statements (continued)

22. Financial risk management (continued)

Credit risk related to leasing activities

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

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:

31 March 2022	< 3 months £m	3-12 months £m	1-5 years £m	> 5 years £m	Total £m
Financial liabilities					
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
31 March 2021	< 3 months £m	3-12 months £m	1-5 years £m	> 5 years £m	Total £m
Financial liabilities					
Bank borrowings (Note 14)	–	–	22.3	170.0	192.3
Interest payable on bank borrowings	1.4	4.1	20.2	37.3	63.0
Trade and other payables	10.2	–	–	–	10.2
Lease payables	–	0.1	0.4	13.6	14.1
	11.6	4.2	42.9	220.9	279.6

Capital management

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

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

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

The Group has two financial covenants, LTV at 50% and Interest Cover Ratio ("ICR") at 300%. The Group has remained compliant with all of its banking covenants during the year and up to the date of this report.

23. Capital commitments

At 31 March 2022 the Group had capital commitments of £53.6m (31 March 2021: £48.0m) in relation to the cost to complete its forward funded pre-let development assets and £90.1m in respect of acquisitions for which contracts had exchanged but conditions to completion remain outstanding (31 March 2021: £53.8m).

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.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m
Earnings	162.0	39.9
Weighted average number of ordinary shares (million)	710.2	526.1
Earnings per share ("EPS")	22.8p	7.6p
Adjustments to remove:		
Change in fair value of investment property	(117.7)	(0.1)
Gain on disposal of investment property	–	(6.3)
Change in fair value of interest rate derivative	(1.2)	–
EPRA earnings	43.1	33.5
Weighted average number of ordinary shares (million)	710.2	526.1
EPRA EPS	6.1p	6.4p
Adjustments to include:		
Licence fees receivable	3.6	3.5
Amortisation of cash backed rental top ups and rent-free periods	3.2	2.2
Adjusted earnings	49.9	39.2
Weighted average number of ordinary shares (million)	710.2	526.1
Adjusted EPS	7.0p	7.5p
Adjustments to exclude:		
Gain on refinancing	–	(1.9)
Accretion of tenant lease incentives (Note 8)	(9.9)	(8.4)
One off corporate expenses	0.6	–
Adjusted cash earnings	40.6	28.9
Weighted average number of ordinary shares (million)	710.2	526.1
Adjusted cash EPS	5.7p	5.5p

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

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

Notes to the consolidated financial statements (continued)

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.

	31 March 2022 £m	31 March 2021 £m
Net asset value ("NAV")	1,300.7	781.4
Number of ordinary shares (million)	911.6	621.8
NAV per share	142.7	125.7p
Adjustments to calculate EPRA NTA	(1.2)	–
EPRA NTA	1,299.5	781.4
Number of ordinary shares	911.6	621.8
EPRA NTA per share	142.6p	125.7p

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

26. Post balance sheet events

Dividends

- On 18 May 2022, the Board approved the quarterly dividend for the quarter ending 31 March 2022 of 1.50p per share, in line with the group's previously announced target.

Acquisitions and disposals

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

- an Asda foodstore in Halesowen, Birmingham with a 22-year unexpired lease term and five yearly fixed uplifts of 3% per annum compounded (exchanged prior to the year end and completed in May 2022).
- a pre-let forward funding of an M&S grocery store in Scotland with a 15-year unexpired lease term from build completion and five yearly 2.5% fixed uplifts (contracts exchanged post year end with completion expected in Q1 2023 and not included in the March 2022 valuation).

Debt

- The Group exercised the one year extension option on the revolving credit facility which now expires in August 2024.

Recommended share & cash offer for Secure Income REIT plc

- On 11 May 2022, the Company announced the terms of a proposed merger with Secure Income REIT plc. The merger remains conditional on, inter alia, shareholders voting to approve the transaction as outlined in the Company's circular to shareholders posted on 1 June 2022 with the vote expected to be held at a general meeting of shareholders on 22 June 2022.

27. Controlling parties

There is no ultimate controlling party of the Group.

PART 3

**THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS (TOGETHER
WITH THE INDEPENDENT AUDIT REPORT AND NOTES TO THE
FINANCIAL STATEMENTS) OF THE LXI GROUP FOR THE FINANCIAL
YEAR ENDED 31 MARCH 2023**

Independent Auditor's report to the members of LXi REIT plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of LXi REIT plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and Company statement of changes in equity, the Consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Directors on 25 August 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 6 years, covering the years ended 31 March 2018 to 31 March 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Using our knowledge of the Group and its market sector together with the current economic environment to assess the Directors' identification of the inherent risks to the Group's business and how these might impact the Group's ability to remain a going concern for the going concern period, being the period to 30 June 2024, which is at least 12 months from when the financial statements are authorised for issue;
- Obtaining an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;
- Obtaining the Directors' going concern assessment:
 - Assessing the Group's forecast cash flows with reference to budgeted and historic performance and challenging the forecast assumptions in comparison to the current performance of the Group;
 - Agreeing the inputs into the forecasts to supporting documentation to assess the reasonableness thereof, using historic information and contractual agreements, where available;
 - Agreeing the Group's available borrowing facilities, including new financing arrangements entered into after the balance sheet date, and the related terms and covenants to loan agreements.
- Analysing the sensitivities applied by the Directors' stress testing calculations and challenging the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected;
- Reviewing forecast covenant calculations to identify any potential future covenant breaches;
- Considering the covenant compliance headroom for sensitivity to both future changes in property valuations and the Group's future financial performance;
- Considering board minutes, and evidence obtained through the audit and challenging the Directors on the identification of any contradictory information in the forecasts and the resultant impact to the going concern assessment; and
- Reviewing the disclosures in the financial statements relating to going concern to check that the disclosure is consistent with the Directors' going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage ¹	100% (2022: 100%) of Group profit before tax 100% (2022: 100%) of Group revenue 100% (2022: 100%) of Group total assets 100% (2022: 100%) of Group investment property	
Key audit matters	2023	2022
	KAM 1 Investment Property Valuations	Investment Property Valuations
	KAM 2 Acquisition of Secure Income REIT plc	–
Materiality	Group financial statements as a whole £37.0m (2022: £15.9m) based on 1% (2022: 1%) of total assets	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through one segment, investment property, structured through a number of subsidiary special purpose vehicle ("SPV") companies. We identified one significant component, in addition to the Parent Company, for which a full scope audit was performed being the investment property component of the Group. All audit procedures were performed by the Group audit team. There were no non-significant components.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of the Manager and the independent valuer to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in ESG section may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment and viability assessment.

We also assessed the consistency of disclosures included as 'Statutory other Information' on page 81 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's report to the members of LXi REIT plc

Key audit matter	How the scope of our audit addressed the key audit matter
Investment property valuations Refer to notes 2 and 3 in relation to significant estimates and accounting policies. Refer to Note 8 in relation to investment property. The valuation of Investment property requires significant judgement and estimates by the Directors and the independent valuer appointed by Manager and is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the financial statements. There is also a risk of fraud in relation to the valuation of the property portfolio where the Directors may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets. Additionally, properties under construction involve license fee income receivable from the developer during the construction phase. Accounting for such assets is typically more complex than for standing assets. The valuation of investment properties was therefore considered to be a key audit matter.	Experience of valuer and relevance of its work - We obtained the valuation report prepared by the independent valuer and discussed the basis of the valuations with them. We determined whether the basis of the valuations was in accordance with the requirements of accounting standards. - We assessed the external valuer's qualifications, independence and basis of valuation. - We obtained a copy of the instructions provided to the independent valuer and reviewed for any limitations in scope or for evidence of management bias. Data provided to the valuer - We validated the underlying data provided to the valuer by the Manager. This data included inputs such as current rent and lease term, for which we agreed all to the executed lease agreements as part of our audit work. Assumptions and estimates used by the valuer - With the assistance of internal RICS-qualified experts we developed yield expectations on each property using available independent industry data, reports and comparable transactions in the market around the period end. They also attended the audit meetings with the Group's valuers to assist us in assessing that explanations provided were appropriate and in line with market knowledge. - We discussed the assumptions used and the valuation movement in the period with both the Manager and the independent valuer. Where the valuation was outside of our expected range we challenged the independent valuer on specific assumptions and reasoning for the yields applied and corroborated their explanations where relevant, including agreeing to third party documentation. We also challenged the valuer regarding their views on the impact of wider macroeconomic events on the valuation of these assets. Further, we challenged the appropriateness of the discount rates applied to the valuations with the valuer and where possible obtained evidence of comparable market transactions through independent sources. - For properties under construction we assessed the project costs and progress of development, by agreeing funding drawdowns during the year to third party documentation, and verified the forecast costs to complete included in the valuations to third party documentation. Accounting for assets under construction - We examined all forward funding agreements entered into during the year for assets under construction and determined whether the accounting treatment of the asset recognition and the license fee income was appropriate under accounting standards. Key observations Based on our work we have not noted any material instance which may indicate that the assumptions adopted by the Directors in the valuation of investment property were unreasonable or that the methodology applied was inappropriate.
Acquisition of Secure Income REIT plc Refer to Note 2 and 3 in relation to significant estimates and accounting policies. Refer to Note 27 in relation to the acquisition of Secure Income REIT plc. During the year, the Parent Company acquired the entire issued share capital of the company formerly known as Secure Income REIT plc ("SIR"). The consideration for the acquisition was based on a pre-agreed share-for-share ratio with a partial cash alternative. The accounting entries and judgment regarding the accounting treatment for the acquisition, together with the related disclosures is considered a key audit matter given the significant and subjective judgments made by the Directors as to whether the acquisition is accounted for as a business combination or an asset acquisition and in the determination of any fair value adjustments to the acquired assets and liabilities. An incorrect judgment with regards to the accounting treatment, or incorrect estimate as to the fair values of the assets or liabilities acquired, could result in a material misstatement of the financial statements.	- We obtained the Manager's formal assessment of the accounting for the acquisition which included the basis for treating the acquisition as an asset acquisition. - We challenged the Manager on various specific points of interpretation within the accounting requirements of IFRS 3 Business Combinations relating to the treatment of the acquisition, including the following: - Whether the conditions of the optional concentration test under IFRS 3 Business Combinations applied to the acquisition or not. - Having concluded that the optional concentration test did not apply to the acquisition, whether the acquisition included substantive processes such that outputs could be generated from the asset and therefore a business had been acquired. - We verified the consideration paid to the relevant acquisition documentation, including but not limited to, the acquisition facility agreement, the share and purchase agreement and other supporting documentation. - We obtained the opening balance sheet for SIR and we assessed the accuracy of any fair value adjustments, noting that as a share-based payment, the consideration was measured with reference to the fair value of the acquired assets and liabilities. Our procedures included: - We obtained valuations from the Group's independent experts in respect of the acquired Investment property, derivative instruments and fixed-rate bank borrowings. - We set expectations for the investment property valuations based on market movements and challenged the Manager and the Valuer where there were differences. - With the use of our internal valuation experts we assessed the adequacy of the fair value adjustments made in respect of the derivative instruments and fixed-rate bank borrowings. - For all other acquired assets and liabilities, we challenged the Manager's assessment that the carrying value reflected the fair value with reference to the requirements of the applicable accounting standard and agreed a sample where relevant to supporting documentation to confirm the carrying values. - We considered the adequacy of the disclosures made by the Directors in relation to the acquisition with regards to the requirements of the applicable accounting standard. This included the disclosures relating to the significant judgments in respect of the treatment of the acquisition as an asset acquisition as opposed to a business combination. Key observations Based on our work we have not noted any material instance which may indicate that the judgments made by the Directors in the accounting treatment of the acquisition were unreasonable or inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	37.0	15.9	18.5	10.1
Basis for determining materiality	Materiality for the Group and Parent Company's financial statements was set at 1% (2022: 1%) of total assets.			
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be the principal consideration for the users of the financial statements in assessing the financial performance of the Group and the Parent Company.			
Performance materiality	24.1	10.3	12.0	6.6
Basis for determining performance materiality	65% (2022: 65%) of materiality. We determined that the same measure as the Group was appropriate for the Parent Company.			
Rationale for the percentage applied for performance materiality	We determined that 65% of materiality would be appropriate based on our risk assessment, together with our assessment of the Group's and Parent Company's overall control environment, the low number of components, the low value of brought forward adjustments impacting the current year and low value of expected misstatements, based on past experience.			

Specific materiality

We also determined that for the measurement of other account balances and classes of transactions not related to investment properties, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined specific materiality for these items to be £6.0m (2022: £2.1m). This is based on 5% (2022: 5%) of European Public Real Estate Association ("EPRA") earnings. EPRA earnings excludes the impact of the net surplus or deficit on the revaluation of, and profit or loss on disposal of, investment properties and financial instruments. We further applied a performance materiality level of 65% (2022: 65%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

For the purposes of our Group audit opinion, we set materiality for the significant component of the Group, apart from the Parent Company whose materiality is set out above, on the same basis as Group materiality, being 1% (2022: 1%) of the total assets of the component. Component materiality was set at £33.3m (2022: ranged from £2m to £7.3m). In the audit of the component, we further applied a performance materiality level of 65% (2022: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £740,000 (2022: £317,000) for items audited to financial statement materiality, and £120,000 (2022: £41,000) for items audited to specific materiality. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's report to the members of LXi REIT plc

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 52; and
- The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 52 to 54.

Other Code provisions

- Directors' statement on fair, balanced and understandable set out on page 76;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 48 to 51;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 65; and
- The section describing the work of the audit committee set out on pages 67 to 69.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with the Manager and those charged with governance; and
- Obtaining and understanding the Group's policies and procedures regarding compliance with laws and regulations, we considered the significant laws and regulations to be the Companies Act 2006, the UK Listing Rules and the UK Real Estate Investment Trust ("REIT") regime.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be UK VAT regulations.

Our procedures in respect of the above included:

- Review of Board and Committee meeting minutes for any instances of non-compliance with laws and regulations;
- Review of a report from the Group's external tax adviser, detailing the actions that the Group has undertaken to ensure compliance. With the assistance of our internal tax experts, this paper was reviewed, and the assumptions challenged;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with the Manager and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.

- Review of Board and Committee meeting minutes for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the assessment of lease term lengths that any incentives are recognised over, revenue recognition (completeness and accuracy of lease incentives), investment property valuations and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- We agreed all bank and loan balances to direct bank confirmations and agreements;
- We also addressed the risk of management override of internal controls by evaluating whether there was evidence of bias by the Manager and the Directors that represented a risk of material misstatement due to fraud. This included evaluating any management bias within the valuation of investment property, as mentioned under the key audit matters subheading;
- To address the fraud risk in relation to the assessment of lease term lengths that any incentives are recognised over, we assessed the Directors' judgements of lease terms for any evidence of bias.
- To address the fraud risk in relation to the completeness of lease incentives, we obtained all new or amended lease agreements and ensured that any lease incentives were correctly recorded. For all new, amended and existing leases, we set expectations for the rental income to be received under the lease agreement, investigating any variances. For a sample of new, amended and existing leases, we verified the cash receipts and payee details as per the lease agreement to bank statements, investigating any variances.
- To address the fraud risk in relation to the accuracy of lease incentives, we recalculated and traced to source documentation the details of all lease incentives.

Independent Auditor's report to the members of LXi REIT plc

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Young (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

6 June 2023

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

Financial Statements

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Consolidated statement of comprehensive income

	Note	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Rental income	4	203.5	58.5
Property expenses		(5.3)	–
Gross profit		198.2	58.5
Administrative and other expenses	5	(18.8)	(9.3)
Operating profit before movements in investment property and financial instruments		179.4	49.2
Change in fair value of investment property	8	(406.7)	117.7
Change in fair value of financial instruments	16	22.2	1.2
Loss on disposal of investment property	8	(2.8)	–
Operating (loss)/profit		(207.9)	168.1
Loss on disposal of financial instruments		(4.6)	–
Loss on early extinguishment of debt	6	(20.6)	–
Finance costs	6	(54.0)	(6.8)
(Loss)/profit before tax		(287.1)	161.3
Taxation	7	(1.0)	0.7
(Loss)/profit for the year		(288.1)	162.0
Other comprehensive income			
Currency translation gain		1.3	–
Total comprehensive (loss)/income attributable to shareholders		(286.8)	162.0
(Loss)/earnings per share – basic and diluted	25	(19.2p)	22.8p

The notes on pages 90 to 120 form part of the consolidated financial statements.

Consolidated statement of financial position

Company number: 10535081

	Note	31 March 2023 £m	31 March 2022 £m
Non-current assets			
Investment property	8	3,569.6	1,480.1
Fixed assets		0.2	–
Derivative financial instruments	16	29.3	–
Total non-current assets		3,599.1	1,480.1
Current assets			
Trade and other receivables	11	16.8	19.4
Assets held for sale	9	32.3	19.0
Deferred acquisition costs		2.6	0.7
Derivative financial instruments	16	3.1	1.2
Cash and cash equivalents	12	74.4	72.5
Total current assets		129.2	112.8
Total assets		3,728.3	1,592.9
Current liabilities			
Trade and other payables	13	82.6	38.6
Bank borrowings	14	508.7	–
Total current liabilities		591.3	38.6
Non-current liabilities			
Bank borrowings	14	729.8	240.0
Leasehold liabilities	15	43.7	12.5
Other financial liabilities	13	254.7	–
Other payables		0.7	1.1
Total non-current liabilities		1,028.9	253.6
Total liabilities		1,620.2	292.2
Net assets		2,108.1	1,300.7
Equity			
Share capital	17	17.1	9.1
Share premium reserve	17	2,120.8	940.0
Foreign exchange reserve		1.3	–
Capital reduction reserve		–	21.0
Retained earnings		(31.1)	330.6
Total equity		2,108.1	1,300.7
Net asset value per share – basic and diluted	26	123.0p	142.7p
EPRA NTA per share	26	121.1p	142.6p

The consolidated financial statements were approved and authorised for issue by the Board on 6 June 2023 and signed on its behalf by:

Cyrus Ardalan
Chairman

The notes on pages 90 to 120 form part of the consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 March 2023	Note	Share capital £m	Share premium reserve £m	Foreign exchange reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2022		9.1	940.0	–	21.0	330.6	1,300.7
Profit and total comprehensive income attributable to shareholders		–	–		–	(288.1)	(288.1)
Exchange reserve		–	–	1.3	–	–	1.3
Transactions with owners							
Issue of ordinary shares in the year	17	8.0	1,180.8	–	–	–	1,188.8
Dividends paid in the year	18	–	–	–	(21.0)	(73.6)	(94.6)
Balance at 31 March 2023		17.1	2,120.8	1.3	–	(31.1)	2,108.1

Reserves are defined in Note 17.

Year ended 31 March 2022	Note	Share capital £m	Share premium reserve £m	Capital reduction reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2021		6.2	544.5	62.1	168.6	781.4
Profit and total comprehensive income attributable to shareholders		–	–	–	162.0	162.0
Transactions with owners						
Issue of ordinary shares in the year	17	2.9	402.6	–	–	405.5
Share issue costs	18	–	(7.1)	–	–	(7.1)
Dividends paid in the year	18	–	–	(41.1)	–	(41.1)
Balance at 31 March 2022		9.1	940.0	21.0	330.6	1,300.7

The notes on pages 90 to 120 form part of the consolidated financial statements.

Consolidated cash flow statement

	Note	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Cash flows from operating activities			
(Loss)/profit before tax		(287.1)	161.3
Adjustments for:			
Finance costs	6	54.0	6.8
Make-whole costs on settlement of debt facility	6	20.6	-
Change in fair value of investment property	8	406.7	(117.7)
Loss on disposal of investment property	8	2.8	-
Loss on disposal of derivative		4.6	-
Change in fair value of derivative		(22.2)	(1.2)
Accretion of tenant lease incentives	4	(37.8)	(9.9)
Tax paid		(0.1)	-
Operating results before working capital changes		141.5	39.3
Decrease/(increase) in trade and other receivables		4.3	(3.2)
Increase in trade and other payables		23.9	15.3
Net cash flow generated from operating activities		169.7	51.4
Cash flows from investing activities			
Purchase of investment properties	8	(80.0)	(425.4)
Cash alternative paid to SIR plc shareholders	27	(392.3)	-
Interest received		0.4	-
Proceeds from sale of investment property	8	29.5	8.3
Net cash flow used in investing activities		(442.4)	(417.1)
Cash flows from financing activities			
Proceeds from shares issued in the year		-	353.8
Share issue costs paid		-	(7.2)
Dividends paid		(89.0)	(41.1)
Interest paid		(40.4)	(6.6)
Payments on other financial liabilities		(4.5)	-
Interest received on in-the-money financial instruments		2.2	-
Purchase of interest rate cap	16	(26.5)	(0.1)
Proceeds from recognition of income strip	15	257.0	-
Proceeds from close out of interest rate cap	16	23.1	-
Make-whole costs on settlement of debt	6	(20.6)	-
Drawdown of borrowings	14	499.0	239.7
Repayment of borrowings	14	(322.6)	(186.0)
Loan arrangement fees paid		(3.1)	(1.4)
Net cash flow generated from financing activities		274.6	351.1
Net (decrease)/increase in cash and cash equivalents		1.9	(14.6)
Cash and cash equivalents at the beginning of the year		72.5	87.1
Cash and cash equivalents at the end of the year	12	74.4	72.5

The notes on pages 90 to 120 form part of the consolidated financial statements.

Notes to the consolidated financial statements

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared for the year ended 31 March 2023. The comparative information included in the financial statements relates to the year ended 31 March 2022. The Group's financial statements have been prepared on a historical cost basis, as modified for the Group's investment properties and derivative financial instruments which have been measured at fair value with changes recognised through the statement of comprehensive income.

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

Euro denominated results of the German operations have been converted to Sterling at the average exchange rate for the period since acquisition of €1: £0.87 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 31 March 2023 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 (Periods beginning after 1 January 2024). These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.
- Update to IAS 8 'Definition of Accounting Estimates' to add clarification around the difference between accounting policies and accounting estimates including a new definition of 'accounting estimates (Periods beginning after 1 January 2023).
- Update to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' in order to help entities apply materiality judgements to accounting policy disclosure (Periods beginning after 1 January 2023).

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 consolidated financial statements of the Group.

Going concern

The financial statements of the Group and Company have been prepared on a going concern basis.

The Group has an Investment Grade credit rating, a healthy liquidity position and comfortable headroom against financial covenant levels. In light of current macroeconomic uncertainty, 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 year provided further strength and resilience to the balance sheet through scale, with net assets increasing from £1.3bn at 31 March 2022 to £2.1bn at 31 March 2023. The Group also completed a refinancing of over £700m of debt post year end and extended a £60m facility during the year. The refinancing increased the weighted average term to maturity from 3 years at 30 September 2022 to 6 years at 31 March 2023.

Contracted rental income grew from £79.7m in 2022 to £202.2m in 2023 while the EPRA cost ratio decreased from 15.9% to 9.5%, showing increased earnings generation which will support liquidity.

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

Low-cost debt facilities, with comfortable covenant headroom

- The Group's pro-forma net loan to value ("LTV") as at 31 March 2023 was 37%, following a £232m repayment of the Merlin A Serling facility during the year. Following the Group's refinancing event after the year end, the pro-forma net LTV remains at 37%
- The Group's portfolio is currently valued at £3.4bn reflecting a valuation yield of 5.4%, a 70bps spread from the weighted average cost of debt of 4.7%, a slight increase on the pre-refinancing cost of debt of 4.2%
- The Group has comfortable headroom to LTV and ICR covenant levels within each facility at covenant levels at 31 March 2023 and at post-refinancing pro-forma covenant levels
- The total weighted average cost of drawn debt across all facilities post refinancing is capped at 4.7% over the next three-year period
- No breaches of loan covenants during the forecast going concern period

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

- The Group's portfolio is 100% let or pre-let to over 80 strong tenants, across 13 sub-sectors. Furthermore, the tenants are the main trading or parent companies within the tenant groups with strong financial covenants
- The Group draws comfort from the financial robustness of the major tenants and analysis and reports to the Board the financial covenants of all tenants contributing to >2% of contracted rent roll on a quarterly basis.
- The Group benefits from a secure income stream of leases with an average 27 years to first break across the portfolio. Each lease is drawn on a fully repairing and insuring basis – tenants are responsible for repair, maintenance and outgoings, so there is no cost leakage for the Company
- 100% rent collected in the year from tenants

Strong liquidity

- At 31 March 2023 the Group had net assets of £2.1bn (31 March 2022: £1.3bn) and a cash balance of £74.4m (31 March 2022: £72.5m), including secured cash of £29.1m
- Post balance sheet date, the Group completed the refinancing of various facilities that were due to expire in the near term resulting in total borrowings of £1,298.6m

Virtually all rent has inflation-protection, through indexed or fixed uplifts, providing substantial protection and the opportunity to generate rental growth in a high inflationary environment.

Debt maturity

Post refinancing, the Group has a 6-year weighted average term to maturity with no debt maturing within 12 months of the approval date of the financial statements. The next refinancing event relates to the £60m HSBC leisure facility which falls due in December 2024. The Group's financial projections show there are sufficient funds for the facility to be repaid in full from free cash. The next large refinancing event following is in October 2025 and relates to the £293m AIG healthcare facility and represents 23% of the total post refinancing committed debt.

1. Basis of preparation (continued)

LXi REIT plc Company

Although the Company has net current liabilities, there are sufficient distributable reserves to cover the final dividend for the 12 months to 31 March 2023.

Although the intercompany debt within the PLC is classed as non-current, this debt is technically due on demand the sub groups have sufficient equity to repay these liabilities.

Going concern statement

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

Sensitivity analysis

Loan covenant reverse stress test

We have performed analysis to test the extent to which the valuation of our current portfolio and rental income should have to fall (due to contractual nature of income and lease length, this could only be the result of a tenant default) in order to result in a breach in each facility for the debt profile as at 31 March 2023 and the post refinancing debt profile. All facilities at 31 March 2023 have comfortable headroom to covenants, with the tightest LTV covenant requiring a 31% reduction in value before a breach and the tightest ICR covenant requiring a 40% loss of rent before a breach. This represents our 'reverse stress test' and shows at what point the Group would breach its covenants.

We have also carried out a 'reverse stress test' on the current post refinancing position which shows comfortable headroom to covenants, the tightest LTV covenant requiring a 30% reduction in value before a breach and the tightest ICR covenant requiring a 31% loss of rent before a breach. For the facilities that contain cash trap covenants, the tightest covenant would require a 30% reduction in value and a 27% loss of rent before a breach.

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

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 makes reference to market evidence of transaction prices for similar properties.

The Group's properties have been independently valued by its Independent Valuer in accordance with the definitions published by the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards, January 2022, 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 15)

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)

In accordance with accounting standards, 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 extension option 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 options 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.

Treatment of corporate acquisitions in the period (Note 27)

The Merger (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 company was solely the owner 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 which was managed by Prestbury Investment Partners Limited (the "target adviser"). The management contract with the target advisor made the target advisor responsible for the day to day 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.

In making the judgement, the Directors considered whether the operations and activities of Secure Income REIT plc (and not the target adviser), being the entity acquired, 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 Company itself being a passive investor in 'inputs' and thus possessing no 'processes', required to produce 'outputs' mean that a business has not been acquired through the merger. The relevant processes to create outputs are and remain those of the Investment Advisor.

The transaction has therefore been accounted for in the consolidated financial statements as an asset acquisition. See Note 27 for detail.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies

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

Basis of consolidation

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

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

On 6 July 2022 the Group completed a merger with Secure Income REIT Plc and its subsidiaries, from which date the companies became wholly owned subsidiaries 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 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 material 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:

Fair value through profit or loss

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

Amortised cost

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

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

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

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

Restricted cash represents cash withheld by the lender on drawdowns of borrowings referred to in Note 14 until the certain security is provided to release the funds as well as amounts withheld when a securitised asset is disposed prior to the bank replacing the asset with adequate security and in consequence, restricted cash does not form an integral part of the Group's cash management as at the reporting date.

Interest rate derivatives

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

Derivatives are held at fair value through profit and loss.

b. Financial liabilities

The Group classifies its financial liabilities as fair value through profit or loss, 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.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

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 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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Rental income from investment property	160.4	48.6
Accretion of tenant lease incentives (Note 8)	37.8	9.9
Service charge income	4.1	–
Head rent income	1.2	–
	203.5	58.5

5. Administrative and other expenses

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Investment advisory fees (Note 21)	12.9	7.1
Legal and professional fees	1.4	0.5
Other administrative costs	1.0	0.6
Corporate administration fees	1.1	0.3
Fees paid to the Company's Independent Auditor	0.4	0.2
Directors' fees (Note 21)	0.4	0.3
Recruitment fees	–	0.2
Advertising & Marketing	0.1	0.1
Abortive fees (Note 25)	1.5	–
	18.8	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 £0.2m of additional fees to the Company's Independent Auditor in the year. £0.1m in respect of interim services and £0.1m 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. (31 March 2022: £0.1m for interim services and £0.1m for reporting accountant work).

Notes to the consolidated financial statements (continued)

6. Finance costs

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Interest payable on bank borrowings	43.1	5.4
Amortisation of loan arrangement fees	6.1	1.2
Leasehold interest	4.6	0.2
Other bank charges	0.2	–
	54.0	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:

- (i) the interest payable on bank borrowings totalling £43.7m of which £0.6m was capitalised (31 March 2022: £6.5m of which £1.1m was capitalised); and
- (ii) the amortisation of loan arrangement fees totalling £6.1m of which £nil was capitalised (31 March 2022: £1.2m of which £nil was capitalised).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the year was 2.95% pa (31 March 2022: 2.85%).

Loss on extinguishment of debt

During the year, the Company made a £20.6m make-whole payment on the early repayment of the £232m Merlin A facility following the completion of the Merlin 'income strip' sale, following which the related interest rate cap was closed out for proceeds of £23.1m, representing a gain of £12.8m versus the book value at 31 March 2022.

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 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 £0.4m. A deferred tax liability at acquisition of £11.0m was net off against the investment property acquisition. Going forward deferred tax will be recognised for the German capital gains tax that would potentially be payable on the sale of the relevant investment properties.

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 £0.6m and a provision has been made to that extent.

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Current tax – current year	0.4	(0.7)
Current tax – prior years	0.6	–
Total current tax	1.0	(0.7)
Tax charge/(credit)	1.0	(0.7)

The tax credit in the prior year related to the release of a previously over-accrued tax charge.

Reconciliation of the total tax charge

The reconciliation of profit before tax multiplied by the standard rate of corporation tax for the year of 19% (31 March 2022: 19%) to the total tax charge in the consolidated statement of comprehensive income is as follows:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
(Loss)/profit before tax	(287.1)	161.3
Tax at the standard rate of UK corporation tax of 19%	(54.5)	30.6
Effects of:		
REIT exempt income	(21.1)	(8.5)
Revaluation of investment properties	77.3	(22.4)
Valuation adjustment in fair value of derivative investments	(4.2)	
Loss on disposal of investment properties	0.5	0.4
Residual losses brought forward as at 31 March 2021	–	(0.4)
Residual losses not recognised as deferred tax asset	0.6	0.3
Realised loss on disposal of financial instruments	0.9	–
Exempt expenses not deductible for tax purposes	0.5	–
Local income tax expense	1.0	–
Reversal of overstated tax creditor	–	(0.7)
Tax charge	1.0	(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

Year ended 31 March 2023	Investment property long leasehold £m	Investment property freehold £m	Investment property in course of construction £m	Total £m
Balance at 1 April 2022	331.0	1,093.4	55.7	1,480.1
Property acquisitions	22.7	51.1	31.9	105.7
Property acquisitions relating to the merger of SIR plc	374.9	2,021.0	–	2,395.9
Licence fee receivable (Note 25)	–	–	0.2	0.2
Tenant lease incentives (Note 4)	11.7	26.1	–	37.8
Property disposals	–	(13.2)	–	(13.2)
Property reclassification Merlin income strip	596.5	(596.5)	–	–
Change in fair value	(95.2)	(288.9)	(22.6)	(406.7)
Currency translation	–	3.2	–	3.2
Headlease movement	(1.1)	–	–	(1.1)
Assets transferred to held for sale	(2.1)	(30.2)	–	(32.3)
Transfers of completed property	10.4	24.7	(35.1)	–
Balance at 31 March 2023	1,248.8	2,290.7	30.1	3,569.6

8. Investment property (continued)

Year ended 31 March 2022	Investment property long leasehold £m	Investment property freehold £m	Investment property in course of construction £m	Total £m
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 25)	–	–	(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 £3,356.3m at 31 March 2023 (31 March 2022: £1,544.4m) including capital commitments on forward funded assets. The valuation included a €161.7m valuation of the German asset in the portfolio, the only asset held outside of the UK. This was translated to GBP at a rate of €1: £0.88.

The corporate acquisition during the year has been treated as an asset purchase rather than business combination as the transaction was considered to be acquisition of property rather than a business.

The Group identifies the potential impact of climate-related risks on property valuations as a principal risk as outlined on pages 48 to 51. 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

	31 March 2023 £m	31 March 2022 £m
Investment property at fair value	3,569.6	1,480.1
Assets held for sale at fair value	32.3	19.0
Capital commitments on forward funded assets (Note 24)	50.8	53.6
Vendor discount in respect of rent-free periods and top-ups	2.7	3.0
Licence fee receivable	1.0	1.5
Other financial liabilities (Note 15)	(256.3)	–
Leasehold liability (Note 15)	(43.8)	(12.8)
Total completed portfolio valuation	3,356.3	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 property that is long leasehold where headlease rents are material is grossed up to include the carrying value of the leasehold liability. The treatment for the income strip follows the same basis.

Investment property at fair value

Valuation	Quoted prices in active markets (Level 1) £m	Significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total £m
31 March 2023	–	–	3,356.3	3,356.3
31 March 2022	–	–	1,499.1	1,499.1

Investment property at fair value includes investment property held for sale. There have been no transfers between levels during the year.

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

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

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

Valuation techniques

Standing assets

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

Investment property in the course of construction

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

Observable input: passing rent

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

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as a reasonable range would not result in a significant movement in fair value.

Unobservable input: net initial yield

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

Notes to the consolidated financial statements (continued)

8. Investment property (continued)

Sector	Passing rent pa 31 March 2023 ¹ £m	Passing rent pa range ¹ £m	Valuation 31 March 2023 ¹ £m	Valuation yield range ¹ %
Healthcare	45.2	0.0 – 9.4	916.9	4.1 – 7.7
Budget hotels	42.8	0.0 – 2.2	617.3	4.9 – 13.5
Theme parks	37.9	1.9 – 12.8	562.8	4.9 – 4.9
Foodstores	20.2	0.1 – 2.7	374.4	4.0 – 9.0
Industrial	13.3	0.2 – 3.7	260.7	4.2 – 7.5
Pubs	8.7	0.1 – 3.8	128.8	5.0 – 7.1
Arena	7.1	0.1 – 4.3	90.6	6.8 – 6.8
Car parks	4.5	0.1 – 1.1	70.6	5.3 – 6.4
Garden centres	3.2	0.4 – 1.0	53.2	5.5 – 5.9
Life sciences	2.9	2.9 – 2.9	53.9	5.0 – 5.0
Drive-thru coffee	2.7	0.1 – 0.2	39.4	4.6 – 6.1
Education	2.2	0.1 – 0.3	35.5	5.8 – 6.0
Other	11.5	0.0 – 1.8	152.2	5.1 – 9.1
Portfolio	202.2	0.0 – 12.8	3,356.3	4.0 – 13.5

Sector	Passing rent pa 31 March 2022 ¹ £m	Passing rent pa range ¹ £m	Valuation 31 March 2022 ¹ £m	Valuation yield range ¹ %
Foodstores and essentials	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
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 Centre	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 assets that had exchanged but not completed 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
31 March 2023	(182.9)	182.9	(162.5)	178.3
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 of its investment properties. The table below shows a reconciliation of the gain recognised on disposal through the consolidated statement of comprehensive income and the realised gain on disposals in the year which includes changes in fair value of the investment property recognised in previous periods.

	31 March 2023 £m	31 March 2022 £m
Consideration received	29.5	8.3
Less:		
Carrying value	(32.1)	(8.3)
Selling costs	(0.2)	–
(Loss)/gain on disposal of investment property	(2.8)	–
Add:		
Change in fair value recognised in previous periods	3.6	2.1
Realised gain on disposal of investment property	0.8	2.1

9. Assets held for sale

	31 March 2023 £m	31 March 2022 £m
Assets held for sale	32.3	19.0

Assets held for sale relate to investment property for which there was board approval to dispose of at the year end date and the intention is to dispose of these assets within 12-months. Two properties are classified as held for sale at the year end for which contracts have been exchanged to sell.

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
31 March 2023	1,238.5	1,184.0
31 March 2022	240.0	237.1

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

11. Trade and other receivables

	31 March 2023 £m	31 March 2022 £m
Recoverable VAT	–	5.7
Licence fee receivable	2.9	5.3
Rent receivable	8.6	8.0
Rent deposit	2.8	–
Prepayments and other receivables	2.5	0.4
Amounts due within one year	16.8	19.4

Notes to the consolidated financial statements (continued)

11. Trade and other receivables (continued)

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

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

The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 31 March 2023. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The expected credit loss provision as at 31 March 2023 is £nil (31 March 2022: £0.1m).

Trade and other receivables that are financial assets amount to £11.5m (31 March 2022: £13.3m) which comprises licence fee receivable and rent receivable.

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

	31 March 2023 £m	31 March 2022 £m
30 days or fewer	11.5	13.0
31 to 60 days	–	0.1
61 to 90 days	–	0.1
91 days or more	–	0.1
Over one year	–	–
	11.5	13.3

12. Cash reserves

	31 March 2023 £m	31 March 2022 £m
Cash at bank	43.6	26.0
Cash held by lawyers	1.7	46.5
Secured cash	29.1	–
Total cash and cash equivalents	74.4	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.

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

There are times throughout the year when the Group has restricted cash. At the year-end £nil was held as restricted cash (31 March 2022: £nil). Restricted cash is money held in accounts to which the Group does not have immediate access and as such do not form part of the Group's short-term cash management. These amounts arise both when initially drawing on term-loans prior to the bank taking adequate security and where a securitised asset is disposed prior to the bank replacing the asset with adequate security.

13. Trade and other payables

	31 March 2023 £m	31 March 2022 £m
Accrued investment property costs	1.7	4.0
Deferred rental income	44.3	14.5
Accruals	6.5	0.4
Trade and other payables	22.3	17.9
Other financial liabilities	1.6	–
Leasehold liability	0.2	0.3
Retentions payable	1.5	1.5
VAT payable	4.5	–
Amounts due within one year	82.6	38.6
Leasehold liability	43.7	12.5
Other financial liabilities	254.7	–
Retentions payable	0.7	1.1
Amounts due in more than one year	299.1	13.6

Trade and other payables that are financial liabilities amount to £332.7m (31 March 2022: £37.7m) which comprises accrued investment property costs, accruals, retentions, trade and other payables, the leasehold liability and the other financial liability.

During the year, the Group entered into the sale of a 65-year income strip of Alton Towers and Thorpe Park in October 2022 for £257m. The sale price represented a net initial yield of 2.96% NIY on 30% of the annual rental income. The structure comprised selling the freehold in the properties to a UK institutional investor, with 999-year leases granted back to the Company pursuant to which the Company pays an annual aggregate rent of £8.2m, representing 30% of the annual rental income received from the tenant. The Company can acquire the freehold back for £1 in year 65. The obligations in relation to this transaction amount to £256.3m at the year end and the balance is classified separately from leasehold liabilities as an other financial liability. Of this balance £1.6m is due within one year and £254.7m is due in more than one year.

14. Bank borrowings

	Drawn £m	Undrawn £m	Total £m
Year ended 31 March 2023			
At beginning of the year	246.0	89.0	335.0
Book value of debt on SIR plc merger	826.1	–	826.1
New facilities	385.0	–	385.0
Drawdown of existing facilities	114.0	(114.0)	–
Repayments	(322.6)	88.0	(234.6)
Foreign currency translation	1.5	–	1.5
At end of the year	1,250.0	63.0	1,313.0
Less: unamortised loan arrangement fees	(11.5)	–	(11.5)
	1,238.5	63.0	1,301.5

Notes to the consolidated financial statements (continued)

14. Bank borrowings (continued)

	Drawn £m	Undrawn £m	Total £m
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

	31 March 2023 £m	31 March 2022 £m
Current borrowings	512.9	–
Less: unamortised loan arrangement fees	(4.2)	–
Total current borrowings	508.7	–
Non current borrowings	737.1	246.0
Less: unamortised loan arrangement fees	(7.3)	(6.0)
Total non current borrowings	729.8	240.0
	1,238.5	240.0

Maturity of bank borrowings

	31 March 2023 £m	31 March 2022 £m
Repayable within 1 year	512.9	–
Repayable between 1 and 2 years	215.0	–
Repayable between 2 and 5 years	352.1	74.6
Repayable after 5 years	170.0	165.4
	1,250.0	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 which was extended on 1 March for repayment in December 2024., The loan has a margin of 2.05% is fixed at an all-in rate of 4.55% using an interest rate cap.
- A 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. This was repaid following the Group refinancing post year-end.

- 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. This was repaid following the Group refinancing post year-end
- 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. This was repaid following the Group refinancing post year-end
- 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. Following the completion of the disposal of the Merlin 'income strip', the facility was repaid in full and the cap sold. As part of this repayment, we paid £20.6m of early repayment charges, following which the related interest rate cap was closed-out for proceeds of £23.1m, representing a gain of £12.8m versus the book value at 31 March 2022. See Note 6 for more detail
- 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. Group has traded interest rate derivatives to cap the interest on the full facility at a total of 2.95%. This was repaid following the Group refinancing post year-end

Acquisition facility

- In May 2022 the Group entered into a £385.0m unsecured interest only loan with Barclays Bank Plc and HSBC Plc in order to fund the Merger. Interest on the loan increases by 25bps every quarter, from a starting point of 1.5%. The rate payable as at 31 March 2023 1.75%. The loan is repayable in May 2024 assuming two six-month extension options are exercised. This was repaid following the Group refinancing post year-end

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

Reconciliation of liabilities to cash flows from financing activities

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Bank borrowings, other financial liabilities and leasehold liability at start of the year	252.8	190.4
Cash flows from financing activities		
Bank borrowings drawn	499.0	239.7
Bank borrowings repaid	(322.6)	(186.0)
Other financial liability arising from income strip disposal	257.0	-
Loan arrangement fees paid	(3.1)	(1.4)
Non-cash movements		
Amortisation of loan arrangement fees	6.1	1.1
Revaluation FX on loan	1.4	-
Bank debt acquired on SIR plc merger at fair value on acquisition	817.8	-
Amortisation of headlease present value	0.7	-
Increase in leasehold liability resulting from property acquisitions	29.6	9.0
Bank borrowings and other financial liability at the end of the year	1,538.7	252.8

Notes to the consolidated financial statements (continued)

15. Leasehold liabilities

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

	31 March 2023 £m	31 March 2022 £m
Minimum headlease payments		
Within one year	2.3	0.3
Between one and five years	9.2	1.3
More than five years	196.0	36.6
Less future finance charges	(163.6)	(25.4)
	43.9	12.8

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

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

The leasehold liabilities relate to where the Group has long term leasehold properties and under the leasehold agreement is required to pay the freeholder rent. These total £43.9m and are reflected on the face of the Statement of Financial Position. Of this balance £0.2m due in less than one year and £43.7m is due in more than one year. The leasehold assets are held within investment property see Note 8. The lease terms are generally fixed rent payable, subject to periodic CPI or RPI uplifts.

16. Interest rate derivatives

To mitigate the interest rate risk that arises as a result of entering into variable rate loans, the Group has entered into a number of interest rate derivatives. A number of interest rate caps and one interest rate swap have been taken out in respect of the Group's variable rate debt to fix or cap the rate to which compounded SONIA can rise.

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Current Assets – Derivative financial instruments	3.1	1.2
Non current Assets – Derivative financial instruments	29.3	–
	32.4	1.2

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Minimum headlease payments		
Interest rate derivative valuation brought forward	1.2	–
Derivatives acquired on merger	12.4	–
Premium paid	26.5	0.1
Disposals	(27.7)	–
Amounts received on interest rate derivatives held at fair value through profit and loss	(2.2)	–
Changes in fair value of interest rate derivatives	22.2	1.1
	32.4	1.2

Fair value hierarchy

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

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

17. Reserves

Share capital

	31 March 2023 Number (million)	31 March 2023 £m	31 March 2022 Number (million)	31 March 2022 £m
Shares of £0.01 each				
At the beginning of the year	911.6	9.1	621.8	6.2
Issued during the year	802.9	8.0	289.8	2.9
At the end of the year	1,714.5	17.1	911.6	9.1
Issued and fully paid	1,714.5	17.1	911.6	9.1

In the prior financial year, on 5 July 2021 the Company issued 78.0m ordinary shares at 133.0p per share (1p nominal value and a premium of 132.0p) for total consideration of £104m.

In the prior financial year, on 7 January 2022 the Company issued 35.7m 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 assets and liabilities acquired.

In the prior financial year, on 14 February 2022 the Company issued 176.1m ordinary shares at 142.0p per share (1p nominal value and a premium of 141.0p) for total consideration of £250m.

On 7 July 2022 the Company issued 802.9m ordinary shares at 143.4p per share (1p nominal value and a premium of 142.4p). 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.

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.

	31 March 2023 £m	31 March 2022 £m
Share premium reserve		
At the beginning of the year	940.0	544.5
Premium on issue of ordinary shares	1,180.8	402.6
Share issue costs	–	(7.1)
At the end of the year	2,120.8	940.0

Share issue costs relating to the merger have been capitalised see Note 27.

Foreign exchange reserve

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

Capital reduction reserve

In 2017, the Company by way of Special Resolution cancelled the then value of its share premium account, by an Order of the High Court of Justice, Chancery Division. As a result of this cancellation, £134.0m were transferred from the share premium account into the capital reduction reserve account. The capital reduction reserve account is classed as a distributable reserve.

Movements in the current year relate to dividends paid.

Retained earnings

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

Note although the Group has negative retained earnings at the year-end due to the downward revaluation in property, the Company still has a large amount of distributable reserves. At our AGM we will seek to cancel the share premium of the Group to create even further headroom.

Notes to the consolidated financial statements (continued)

18. 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	27.0
Second quarterly dividend at 1.575p per share	27.0
Third quarterly dividend at 1.575p per share	27.0
Total dividends paid	94.6
Total dividend per share paid in the year	6.225p
Total dividend per share proposed in respect of the year	6.3p
Dividends in respect of the year ended 31 March 2023	
On 22 September 2022, the Company announced a first quarterly dividend in respect of the year ended 31 March 2023 of 1.575p per share which was paid on 18 November 2022 to shareholders on the register on 30 September 2022.	
On 24 November 2022, the Company announced a second quarterly dividend in respect of the year ended 31 March 2023 of 1.575p per share which will be paid on 4 January 2023 to shareholders on the register at 2 December 2022.	
On 9 February 2023, the Company announced a third quarterly dividend in respect of the year ended 31 March 2023 of 1.575p per share which was paid on 10 March 2023 to shareholders on the register on 16 February.	
On 6 June 2023 the Board approved a fourth quarterly dividend in respect of the year ended 31 March 2023 of 1.575 pence per share, payable on 6 July 2023 to shareholders on the register at 16 June 2023. The ex-dividend date will be 15 June 2023.	
Dividends paid and declared in the prior year	£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 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
Dividends in respect of the year ended 31 March 2022	
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 ordinary share, which was paid on 24 June 2022 to shareholders on the register at the close of business on 27 May 2022.	

19. Leases

The Group as lessor

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

Lease receivables	< 1 year £m	1-5 years £m	> 5 years £m	Total £m
31 March 2023	197.1	825.1	6,090.1	7,112.3
31 March 2022	68.2	281.8	1,288.5	1,638.5

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

The Group as lessee

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

Lease receivables	< 1 year £m	1-5 years £m	> 5 years £m	Total £m
31 March 2023	2.3	9.2	196.0	207.5
31 March 2022	0.3	1.3	36.6	38.2

The above is in respect of leasehold properties held by the Group. There are 194 properties (2022: 37) held under leasehold with lease ranges from 99 years to 999 years.

The Group's leasing arrangements with lessors are headlease arrangements on land and buildings that have been sub-let under the Group's normal leasing arrangements (see above) to tenants. The Group carries its interest in these headlease arrangements as long leasehold investment property (Note 8).

20. Segmental information

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

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

	31 March 2023 £m	31 March 2022 £m
UK	187.0	58.5
Germany	16.5	–
	203.5	58.5

Notes to the consolidated financial statements (continued)

20. Segmental information (continued)

Investment properties

	31 March 2023 £m	31 March 2022 £m
UK	3,427.3	1,480.1
Germany	142.3	–
	3,569.6	1,480.1

During the year the Group had three tenants (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 excluding tenant lease incentives

		31 March 2023 £m		31 March 2022 £m
Major customers	51%	81.9	–	–
Other tenants (each less than 10%)	49%	78.5	100%	48.6
Rental income from investment property (Note 4)	100%	160.4	100%	48.6

21. Related party transactions

Transactions with the Board of Directors

In respect of the year ended 31 March 2023 there were £0.4m fees payable to the Directors (31 March 2022: £0.3m) in the form of short-term employee benefits. Employers NI contributions were nil in the year (31 March 2022: nil).

The following table summarises the number of ordinary shares purchased during the year by Directors and the number of ordinary shares held at 31 March 2023:

		31 March 2023 Number	31 March 2022 Number
Cyrus Ardalan (appointed 13 January 2022)	Acquired Held	– 206,000	206,000 206,000
John Cartwright*	Acquired Held	– 66,687	– 66,687
Jan Etherden (resigned 15 July 2022)	Acquired Held	– 77,274	– 77,274
Patricia Dimond (resigned 19 July 2022)**	Acquired Held	– 39,520	14,084 39,520
Hugh Seaborn (appointed 13 January 2022)	Acquired Held	40,595 40,595	– –
Ismat Levin (appointed 13 January 2022)	Acquired Held	– 14,084	14,084 14,084
Nick Leslau (appointed 6 July 2022)**	Converted on merger Held	95,978,407 95,978,407	– –
Sandy Gumm (appointed 6 July 2022)	Converted on merger Held	639,345 639,345	– –

* Includes companies wholly owned and persons closely associated (as defined by the UK Market Abuse Regulation) with the Director.

** Includes persons closely associated (as defined by the UK Market Abuse Regulation) with the Director.

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

Transactions with the Investment Advisor

A fee of £12.9m was payable to the Investment Advisor in respect of the year (31 March 2022: £7.1m). At 31 March 2023, £1.2m was due to the Investment Advisor (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 £2.0bn; 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 7 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.

No performance fee is payable to the Investment Advisor.

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

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

Under the Companies Act 2006, a public company can only pay a dividend out of its distributable profits as shown in its "relevant accounts". Although there were sufficient profits and other distributable reserves within the Company's group to pay the Relevant Dividends at each payment date, the relevant accounts of the Company (being the accounts for the year ended 31 March 2022) did not show sufficient distributable reserves and the payment of the Relevant Dividends therefore constitutes a procedural breach of the Companies Act 2006.

At the time of the distribution, the shareholders did not know, nor had reasonable grounds for believing, that the distribution was in contravention of the Companies Act 2006. As the Company has taken action to remedy the situation, the payments in the year continue to be recognised as a dividend payment as opposed to a receivable from shareholders.

At the forthcoming AGM of the Company's shareholders a special resolution will be proposed to remedy this issue, including authorising the appropriation of distributable profits to the payment of the relevant dividends and removing any right for the Company to pursue its shareholders or directors for repayment of those dividends. The overall effect of this resolution being passed will be to return all parties (so far as possible) to the position they would have been had the Relevant Dividends been made in full compliance with the Companies Act 2006. The removal of any right for the Company to pursue its directors for repayment of the Relevant Dividends constitutes a related party transaction under IAS 24 and, for the purposes of the UK Listing Rules, a smaller related party transaction under Listing Rule 11.1.10R.

22. Consolidated entities

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

Name of Entity	Principal activity	Country of incorporation	Ownership
LXi Property Holdings 1 Limited	Property investment	UK	100%
LXi Property Holdings 2 Limited ¹	Property investment	UK	100%
LXi Property Holdings 3 Limited	Property investment	UK	100%
LXi Property Holdings 4 Limited	Property investment	UK	100%

Notes to the consolidated financial statements (continued)

22. Consolidated entities (continued)

Name of Entity	Principal activity	Country of incorporation	Ownership
LXi Property Holdings 4a Limited ¹	Property investment	UK	100%
Alco 1 Limited ¹	Property investment	UK	100%
FPI Co 223 Limited ¹	Property investment	UK	100%
LXi Cowdenbeath Limited ¹	Property investment	UK	100%
SM Plymouth Hotel Limited ¹	Property investment	UK	100%
Corby (General Partner) Limited ¹	Property investment	UK	100%
Corby Rail Services Limited ¹	Property investment	UK	100%
Corby Limited Partnership ¹	Property investment	UK	100%
Firethorn Glasgow Limited ²	Property investment	UK	100%
Corby (No.2) Unit Trust ¹	Property investment	Jersey	100%
Grove Asset 8 S.A.R.L. ¹	Property investment	Luxembourg	100%
LXi Spirit Limited	Property investment	Isle of Man	100%
Welling Property Limited	Property investment	BVI	100%
LXi Property Holdings 5 Limited	Property investment	UK	100%
LXi Property Holdings 5a Limited ¹	Property investment	UK	100%
Acquired in the period:			
LXi Cornbow Limited	Property investment	UK	100%
LXi SIR Holdco Limited (previously Secure Income REIT Plc) ²	Intermediate parent company	UK	100%
SIR Theme Park Subholdco Limited ¹	Intermediate parent company	UK	100%
SIR ATH Limited ¹	Property investment	UK	100%
SIR ATP Limited ¹	Property investment	UK	100%
SIR HP Limited ¹	Property investment and borrower (incorporated in England, operating in Germany)	UK	100%
SIR TP Limited ¹	Property investment	UK	100%
SIR WC Limited ¹	Property investment	UK	100%
SIR Hospital Holdings Limited ^{1,2}	Intermediate parent company	UK	100%
SIR Umbrella Limited ^{1,2}	Intermediate parent company	UK	100%
SIR Hospitals Propco Limited ^{1,2}	Intermediate parent company	UK	100%
SIR Duchy Limited ^{1,2}	Property investment	UK	100%
SIR Springfield Limited ^{1,2}	Property investment	UK	100%
SIR Healthcare 1 Limited ^{1,2}	Intermediate parent company	UK	100%
SIR Healthcare 2 Limited ^{1,2}	Intermediate parent company	UK	100%
SIR Fitzwilliam Limited ^{1,2}	Property investment	UK	100%
SIR Fulwood Limited ^{1,2}	Property investment	UK	100%
SIR Lisson Limited ^{1,2}	Property investment	UK	100%
SIR Midlands Limited ^{1,2}	Property investment	UK	100%
SIR Oaklands Limited ^{1,2}	Property investment	UK	100%
SIR Oaks Limited ^{1,2}	Property investment	UK	100%
SIR Pinehill Limited ^{1,2}	Property investment	UK	100%
SIR Rivers Limited ^{1,2}	Property investment	UK	100%
SIR Woodland Limited ^{1,2}	Property investment	UK	100%
SIR Yorkshire Limited ^{1,2}	Property investment	UK	100%
Thomas Rivers Limited ^{1,2}	Property investment	UK	100%
SIR Hotels 1 Limited ^{1,2}	Intermediate parent company	UK	100%
SIR Hotels Jersey Limited ¹	Intermediate parent company	Jersey	100%
SIR Unitholder 1 Limited ¹	Intermediate parent company	Jersey	100%
SIR Unitholder 2 Limited ¹	Intermediate parent company	Jersey	100%

Name of Entity	Principal activity	Country of incorporation	Ownership
Grove Property Unit Trust 6 ¹	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 7 ¹	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 9 ¹	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 11 ¹	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 12 ¹	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 16 ¹	Property investment and borrower	Jersey	100%
SIR Hotels 2 Limited ^{1,2}	Intermediate parent company	UK	100%
SIR Hotels Jersey 2 Limited ¹	Intermediate parent company and property investment	Jersey	100%
SIR Unitholder 3 Limited ¹	Intermediate parent company	Jersey	100%
SIR Unitholder 4 Limited ¹	Intermediate parent company	Jersey	100%
Grove Property Unit Trust 2 ¹	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 5 ¹	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 13 ¹	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 14 ¹	Property investment and borrower	Jersey	100%
Grove Property Unit Trust 15 ¹	Property investment and borrower	Jersey	100%
SIR Maple 4 Limited ¹	Property investment and borrower	UK	100%
SIR Maple Holdco Limited ^{1,2}	Intermediate parent company	UK	100%
SIR Maple 1 Limited ^{1,2}	Intermediate parent company	UK	100%
SIR Unitholder 5 Limited ¹	Intermediate parent company	Jersey	100%
MIF 1 Unit Trust ¹	Property investment and borrower	Jersey	100%
SIR Maple 2 Limited ^{1,2}	Property investment and borrower	UK	100%
SIR Maple 3 Limited ^{1,2}	Property investment and borrower	UK	100%
SIR New Hall Limited ^{1,2}	Dormant	UK	100%
SIR MTL Limited ^{1,2}	Dormant	UK	100%
Charcoal Bidco Limited ^{1,2}	Dormant	UK	100%
SIR Hotels 2 Holdco Limited ¹	Dormant	Jersey	100%
SIR Hotels 2 GP Limited ¹	Dormant	Jersey	100%
SIR Hotels 2 Nominee Limited ¹	Dormant	Jersey	100%
SIR Newco Limited ¹	Dormant	UK	100%
SIR Newco 2 Limited ¹	Dormant	UK	100%
Newly incorporated in the period:			
LXi Property Holdings 6 Limited	Property investment	UK	100%
LXi Finco Limited ²	Intermediate parent company	UK	100%
LXi Finco 1 Limited ^{1,2}	Dormant	UK	100%
LXi Holdco 1 Limited ²	Dormant	UK	100%
LXi Finco 2 Limited ^{1,2}	Dormant	UK	100%
LXi Holdco 2 Limited ²	Dormant	UK	100%

1 Subsidiaries indirectly owned.

2 These subsidiary undertakings are taking advantage of the exemption from audit under section 479a of the Companies Act 2006 and as a result LXI REIT Plc will provide a statutory guarantee for any outstanding liabilities of these undertakings as at 31 March 2023, all of which have been included in these consolidated financial statements.

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

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

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

The registered office for BVI (British Virgin Islands) subsidiaries is Wickhams CAY II, Tortola, British Virgin Islands, VG 1110.

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

Notes to the consolidated financial statements (continued)

23. Financial risk management

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

Interest rate risk

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

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

Credit risk

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

Credit risk related to financial instruments and cash deposits

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

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

Credit risk related to leasing activities

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

Liquidity risk

The Group manages its liquidity and funding risks by considering cash flow forecasts and ensuring sufficient cash balances are held within the Group to meet future needs. Prudent liquidity risk management 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:

31 March 2023	< 3 months £m	3-12 months £m	1-5 years £m	> 5 years £m	Total £m
Financial liabilities					
Bank borrowings (Note 14)	451.3	61.6	567.1	170.0	1,250.0
Interest payable on bank borrowings	9.8	22.6	51.5	27.7	111.6
Trade and other payables	30.5	–	–	–	30.5
Lease payables	0.6	1.7	9.2	196.0	207.5
Other financial liability	2.1	6.2	32.8	488.5	529.6
Retentions payable	0.7	0.2	0.7	–	1.6
	495.0	92.3	661.3	882.2	2,130.8

31 March 2022	< 3 months £m	3-12 months £m	1-5 years £m	> 5 years £m	Total £m
Financial liabilities					
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

As at 31 March 2023 there are a large level of bank borrowings which are due in the next 12 months, which if not refinanced would have a material impact on the Group. The Group was undertaking detailed discussions around the balance sheet date with lenders with regard to refinancing these liabilities. On 25 April 2023 the Group announced these refinancing discussions were completed and new facilities had been signed, resulting in a 6-year weighted average term to maturity (excluding extension options). It also means that the earliest refinancing event is now not until December 2024.

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 of its banking covenants during the year and up to the date of this report.

Foreign currency exchange risk

The Group prepares its financial statements in Sterling. Following the Merger, on an IFRS basis, 4% 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%. 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:

	Year ended 31 March 2023 £m
Share premium reserve	
Investment property revaluation	(2.7)
Other income statement movements	1.7
Increase in profit/(loss) for the year	(1.0)
Increase in other comprehensive income and equity	7.5

Notes to the consolidated financial statements (continued)

24. Capital commitments

At 31 March 2023 the Group had capital commitments of £50.8m (31 March 2022: £53.6m) in relation to the cost to complete its forward funded pre-let development assets and £5.7m in respect of acquisitions for which contracts had exchanged but conditions to completion remain outstanding (31 March 2022: £90.1m).

25. Earnings per share

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Earnings	(288.1)	162.0
Weighted average number of ordinary shares (million)	1,501.1	710.2
Earnings per share ("EPS")	(19.2)p	22.8p
Adjustments to remove:		
Change in fair value of investment property	406.7	(117.7)
Loss on disposal of investment property	2.8	–
Loss on disposal of derivative	4.6	–
Loss on extinguishment of debt	20.6	–
Change in fair value of interest rate derivative (Note 16)	(22.2)	(1.2)
EPRA earnings	124.4	43.1
Weighted average number of ordinary shares (million)	1,501.1	710.2
EPRA EPS	8.3p	6.1p
Adjustments to include:		
Licence fees receivable	3.1	3.6
Amortisation of loan fees	6.1	–
Amounts received on interest rate derivatives held at fair value through profit and loss	2.2	–
Amortisation of cash backed rental top ups and rent-free periods	0.9	3.2
Adjustments to exclude:		
Accretion of tenant lease incentives (Note 8)	(37.8)	(9.9)
Abortive fees (Note 5)	1.5	0.6
Adjusted cash earnings	100.4	40.6
Weighted average number of ordinary shares (million)	1,501.1	710.2
Adjusted cash EPS	6.7p	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, amounts receivable from in-the-money financial instruments and exclude amortisation of loan fees, 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.

26. Net asset value per share

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

	31 March 2023 £m	31 March 2022 £m
Net asset value ("NAV")	2,108.1	1,300.7
Number of ordinary shares (million)	1,714.5	911.6
NAV per share	123.0p	142.7p
Adjustments to calculate EPRA NTA	(32.4)	(1.2)
EPRA NTA	2,075.7	1,299.5
Number of ordinary shares	1,714.5	911.6
EPRA NTA per share	121.1p	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.

27. Secure Income REIT plc merger

On 11 May 2022, the Company announced the terms of the proposed merger of the Company with Secure Income REIT plc. Voting from respective shareholder groups demonstrated overwhelming support for the merger, which completed on 6 July 2022.

The Company acquired on a share for share basis, with a 25% cash alternative, 100% of the shares of Secure Income REIT plc. The operations of SIR plc 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 Exchange Ratio (the number of LXi shares that SIR shareholders would receive per share) was based on the adjusted and unaudited EPRA NTA per LXi Share as at 31 March 2022 of 143.4 pence and the adjusted and unaudited EPRA NTA per SIR Share as at 31 March 2022 of 475.5 pence. Both net asset values were based on independent valuations as at 31 March 2022. A partial cash alternative was made available under which SIR Shareholders could elect to receive cash instead of some LXi shares up to a maximum of 25% of their entitlements. On 7 July 2022 the Company issued 802.9m ordinary shares at 143.4p per share (1p nominal value and a premium of 142.4p) and paid £390.2m of cash to the SIR shareholders under the partial cash alternative.

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.

In accordance with the accounting requirements of an asset acquisition, the acquisition costs related to the transaction were capitalised as part of the transaction. This included the share issuance costs.

This reporting period includes the results of the enlarged entity from the date of completion which was 6 July 2022.

The merger resulted in the addition of 160 investment properties to the portfolio, recognised at £2,395.9m as disclosed in Note 8, being the fair value of those assets at the date the merger completed. £827.4m of SIR plc borrowings were also brought into the Group, as disclosed in Note 14, being the fair values of those liabilities at the date the merger completed.

28. Post balance sheet events

Dividends

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

Debt

- The Company completed its significant refinancing programme on 24 April 2023 with a new, £565m secured, interest-only debt facility with a syndicate of banks comprising a number of the Company's existing lenders. The Company has drawn the new facilities, resulting in a 6-year weighted average term to maturity (excluding extension options) and a weighted average capped all-in cost of debt of 4.7%.
- On 24 April 2023 the Group drew down a £148m secured interest-only debt facility with Canada Life.

29. Controlling parties

There is no ultimate controlling party of the Group.

PART 4

**THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL RESULTS
(TOGETHER WITH THE INDEPENDENT REVIEW REPORT AND NOTES
TO THE FINANCIAL STATEMENTS) OF THE LXI GROUP FOR THE SIX-
MONTH PERIOD ENDED 30 SEPTEMBER 2023**

Independent review report to LXi REIT plc

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes.

Basis for conclusion

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

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

Conclusions relating to going concern

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the review of the financial information

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

Use of our report

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

BDO LLP

Chartered Accountants
London, UK

29 November 2023

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



Consolidated statement of comprehensive income

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

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

Consolidated statement of financial position

Company number: 10535081

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

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

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

Consolidated statement of changes in equity

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

Reserves are defined in Note 18.

Consolidated statement of changes in equity

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

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

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

Consolidated cash flow statement

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

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

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

The condensed consolidated financial statements for the period ended 30 September 2023 have been reviewed by the Company's Independent Auditor, BDO LLP, in accordance with the International Standard on Review Engagements 240 Review of Interim Financial Information Performed by the Independent Auditor of the Entity and were approved for issue on 29 November 2023. The condensed consolidated financial statements are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006.

The comparative information included in the financial statements relates to the year ended 31 March 2023 and the period ended 30 September 2022 and does not constitute full statutory accounts within the meaning of Section 435 of the Companies Act 2006. The Group's Annual Report for the year ended 31 March 2023 has been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified.

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

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

Euro denominated results of the German operations have been converted to Sterling at the average exchange rate for the period of €1: £0.87 (period from acquisition to 30 September 2022: €1: £0.85) which is not considered to produce materially different results from using the actual rates at the date of the transactions. Period end balances have been converted to Sterling at the 30 September 2023 exchange rate of €1: £0.87 (30 September 2022: €1: £0.88). The accounting policy for foreign currency translation is in Note 3.

Standards effective from 1 April 2023

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

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

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

1. Basis of preparation (continued)

Standards issued not yet effective

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

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

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

Going concern

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

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

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

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

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

Low-cost debt facilities, with comfortable covenant headroom

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

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

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

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

Appropriate gearing and liquidity

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

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

Uncommitted cash

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

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

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

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

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

1. Basis of preparation (continued)

Debt maturity

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

Going concern statement

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

Sensitivity Analysis

Loan covenant reverse stress test

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

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

2. Significant accounting judgments, estimate and assumptions

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

Estimates:

Valuation of investment properties (Note 9)

The market value of Investment property is determined by an independent property valuation expert to be the estimated amount for which a property should exchange on the date of the valuation in an arm's-length transaction. The Group uses the valuations carried out by Knight Frank LLP (the "Independent Valuer") as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income and the appropriate capitalisation rate. The Independent Valuer refers to market evidence of transaction prices for similar properties. The Board considers Knight Frank LLP to be suitably qualified and experienced to conduct this work.

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

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

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

Judgments:

Classification of lease arrangements – the Group as lessor (Note 20)

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

Lease term (Note 4)

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

3. Summary of significant accounting policies

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

Basis of consolidation

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

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

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

Investment property

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

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

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

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

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

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

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

Significant accounting judgments, estimates and assumptions made in the valuation of investment properties are described in Note 2.

Assets held for sale

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

Rental income

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

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

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

Financial instruments

a. Financial assets

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

Fair value through profit or loss

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

3. Summary of significant accounting policies (continued)

Amortised cost

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

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

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

Cash and cash equivalents comprise cash in hand and deposits held at call with banks. Cash and cash equivalents also include cash held by lawyers on behalf of the Group or Company without restriction.

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

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

Interest rate derivatives

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

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

b. Financial liabilities

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

Other financial liabilities

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

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

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

Fair value hierarchy

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

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

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

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

Leases – the Group as lessor

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

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

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

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

3. Summary of significant accounting policies (continued)

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

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

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

Leases – the Group as lessee

All leases where the Group is a lessee are accounted for by recognising a right-of-use asset and a lease liability, except for leases of low value assets (under £100 p.a.) and leases with a term of 12 months or less.

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

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

Taxation

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

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

Foreign currency translation

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

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

Dividends payable to shareholders

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

Finance income and finance costs

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

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

Equity issue costs

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

4. Rental income

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

Notes to the consolidated financial statements (continued)

5. Property expenses

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

6. Administrative and other expenses

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

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

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

7. Finance costs

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

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

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

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

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

Loss on extinguishment of debt

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

8. Taxation

The Group is a real estate investment trust ("REIT") and as a result the profit and gains arising from the Group's property rental business are exempt from UK corporation tax provided the Group meets certain conditions as set out in the UK REIT regulations. Profits arising from any residual activities (such as trading activities and interest income), after the utilisation of any available residual tax losses, are subject to corporation tax at the main rate of 25%.

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

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

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

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

Reconciliation of the total tax charge

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

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

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

Unrecognised deferred tax liability

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

Notes to the consolidated financial statements (continued)

9. Investment property

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

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

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

The Independent Valuer valued the entire property portfolio at £3,191.4m at 30 September 2023 (31 March 2023: £3,356.3m, 30 September 2022: £3,656.6m) including capital commitments on forward funded assets. The valuation included a €161.7m valuation of the German asset in the portfolio, the only asset held outside of the UK. This was translated to GBP at a rate of €1: £0.87.

The Group identifies the potential impact of climate-related risks on property valuations as a principal risk as outlined on pages 55 to 61 within the Annual Report. The current valuation of the property portfolio is not materially impacted by any climate-related risks. We will continue to work closely with the Independent Valuer to monitor how climate-related factors impact values in long-lease property sector and of our individual asset valuations.

Reconciliation of fair value to total portfolio valuation

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Investment property at fair value	3,347.7	3,911.3	3,569.6
Assets held for sale at fair value	102.4		32.3
Capital commitments on forward funded assets (Note 24)	37.5	42.5	50.8
Vendor discount in respect of rent-free periods and top-ups	2.1	2.6	2.7
Licence fee receivable	1.2	1.1	1.0
Leasehold and other financial liabilities (Note 14)	(299.5)	(300.9)	(256.3)
Total completed portfolio valuation	3,191.4	3,656.6	3,356.3

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.

9. Investment property (continued)

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

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

The valuation of investment property that is long leasehold where headlease rents are material is grossed up to include the carrying value of the leasehold liability. The income strip is accounted for on the same basis.

Investment property at fair value

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

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

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

Valuation techniques

Standing assets

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

Investment property in the course of construction

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

Observable input: passing rent

The prevailing rent at which space is let at the date of valuation.

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as, given the nature and length of the leases, the rental growth is contractual and therefore included in the net initial yield.

Unobservable input: net initial yield

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

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

Notes to the consolidated financial statements (continued)

9. Investment property (continued)

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

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

Sensitivities of measurement of significant inputs

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

Valuation	-5% in passing rent £m	+5% in passing rent £m	+25bps in net initial yield £m	-25bps in net initial yield £m
30 September 2023	(159.6)	159.6	(134.9)	147.3
30 September 2022	(182.9)	182.9	(178.6)	197.9
31 March 2023	(182.9)	182.9	(162.5)	178.3

10. Assets held for sale

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

Assets held for sale relates to investment property for which there was board approval to dispose of at the half-year end date and the intention is to dispose of these assets within 12-months. 32 assets have been classified as held for sale as at the period end.

Realised gain on disposal of assets held for sale

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

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

Notes to the consolidated financial statements (continued)

11. Financial instruments

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

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

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

12. Trade and other receivables

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

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

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

The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 30 September 2023. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The expected credit loss provision at 30 September 2023 is £nil (31 March 2023: £nil, 30 September 2022: £0.1m).

Trade and other receivables that are financial assets amount to £12.5m (31 March 2023: £11.5m, 30 September 2022: £266.4m) which comprises licence fee receivable and rent receivable.

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

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
30 days or fewer	12.5	266.4	11.5
31 to 60 days	–	–	–
61 to 90 days	–	–	–
91 days or more	–	–	–
Over one year	–	–	–
	12.5	266.4	11.5

13. Cash reserves

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

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

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

There are times throughout the year when the Group has restricted cash. At the period end £10.0m was held as restricted cash (31 March 2023: £nil, 30 September 2022: £19.0m). Restricted cash is money held in accounts to which the Group does not have immediate access and as such do not form part of the Group's short-term cash management. These amounts arise both when initially drawing on term-loans prior to the bank taking adequate security and where a securitised asset is disposed prior to the bank replacing the asset with adequate security.

Notes to the consolidated financial statements (continued)

14. Trade and other payables

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

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

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

15. Bank borrowings

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

15. Bank borrowings (continued)

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

Maturity of drawn bank borrowings

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

The Group's borrowings comprise the following:

Scottish Widows Term Loan Facilities

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

Other secured loans

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

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

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

Reconciliation of liabilities to cash flows from financing activities

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

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

Notes to the consolidated financial statements (continued)

16. Leasehold liabilities

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

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

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

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

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

17. Interest rate derivatives

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

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

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

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

Fair value hierarchy

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

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

18. Reserves

Share capital

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

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

18. Reserves (continued)

Share premium reserve

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

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

Share issue costs relating to the merger have been capitalised.

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

Merger reserve

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

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

Foreign exchange reserve

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

Capital reduction reserve

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

Retained earnings

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

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

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

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

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

19. Dividends

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

Dividends in respect of the year ending 31 March 2024

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

19. Dividends (continued)

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

Dividends paid and declared	£m
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	27.0
Second quarterly dividend at 1.575p per share	27.0
Third quarterly dividend at 1.575p per share	27.0
Total dividends paid	94.6
Total dividend per share paid in the period	6.225p
Total dividend per share proposed in respect of the year	6.3p

Dividends in respect of the year ended 31 March 2023

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

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

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

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

20. Leases

The Group as lessor

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

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

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

The Group as lessee

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

Lease payables	< 1 year £m	1-5 years £m	> 5 years £m	Total £m
30 September 2023	2.3	9.3	198.3	209.8
31 March 2023	2.3	9.2	196.0	207.5
30 September 2022	2.3	9.3	201.4	213.0

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

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

21. Segmental information

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

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

The Group's property portfolio comprises investment property, diversified across 13 different property sub-sectors. The Board considers that all the properties have similar economic characteristics. Therefore, in the view of the Board, there is one reportable segment.

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

Revenue

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

Investment properties

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

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

Revenue including tenant lease incentives

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

22. Related party transactions

Transactions with the Board of Directors

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

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

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

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

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

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

Transactions with the Investment Advisor

A fee of £5.6m was payable to the Investment Advisor in respect of the period (30 September 2022: £6.2m, 31 March 2023: £12.9m). At 30 September 2023, £1.1m was due to the Investment Advisor (30 September 2022: £1.6m, 31 March 2023: £1.2m) for provision of management services.

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

- One-twelfth of 0.75% per calendar month of market capitalisation up to or equal to £500m;
- One-twelfth of 0.65% per calendar month of market capitalisation between £500m and £2bn; and
- One-twelfth of 0.55% per calendar month of market capitalisation above £2bn.

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

22. Related party transactions (continued)

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

No performance fee is payable to the Investment Advisor.

23. Consolidated entities

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

Name of Entity	Principal activity	Country of Incorporation	Ownership
LXi Property Holdings 1 Limited	Property investment and borrower	UK	100%
LXi Property Holdings 2 Limited ¹	Property investment	UK	100%
LXi Property Holdings 3 Limited	Property investment and borrower	UK	100%
LXi Property Holdings 4 Limited ¹	Property investment	UK	100%
LXi Property Holdings 4a Limited ¹	Property investment	UK	100%
Alco 1 Limited ¹	Property investment	UK	100%
FPI Co 223 Limited ¹	Dormant	UK	100%
LXi Cowdenbeath Limited ¹	Property investment	UK	100%
SM Plymouth Hotel Limited ¹	Property investment	UK	100%
Corby (General Partner) Limited ¹	Dormant	UK	100%
Corby Limited Partnership ²	Dormant	UK	100%
LXi Pacific Limited ¹	Property investment	UK	100%
Corby (No.2) Unit Trust ¹	Dormant	Jersey	100%
LXi Spirit Limited ¹	Property investment	Isle of Man	100%
Welling Property Limited ¹	Property investment	Jersey	100%
LXi Property Holdings 5 Limited ¹	Property investment	UK	100%
LXi Property Holdings 5a Limited ¹	Property investment	UK	100%
LXi Property Holdings 6 Limited ¹	Property investment	UK	100%
LXi Finco Limited	Intermediate parent company	UK	100%
LXi Finco 1 Limited ¹	Intermediate parent company and borrower	UK	100%
LXi Holdco 1 Limited	Intermediate parent company	UK	100%
LXi Finco 2 Limited ¹	Intermediate parent company and borrower	UK	100%
LXi Holdco 2 Limited	Intermediate parent company	UK	100%

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

Notes to the consolidated financial statements (continued)

22. Related party transactions (continued)

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

¹ Subsidiaries indirectly owned.

² Subsidiary dissolved post period end

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

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

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

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

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

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

24. Financial risk management

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

Interest rate risk

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

The Group has reduced the interest rate risk on its external borrowing by fixing the rate of interest payable by entering into interest rate derivatives, which at the balance sheet date included interest rate swaps and caps. In addition, a number of the facilities acquired as part of the SIR merger bear interest at a fixed rate.

Credit risk

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

Credit risk related to financial instruments and cash deposits

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

All financial assets are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in Note 12 excluding cash or cash equivalents.

Credit risk related to leasing activities

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

Liquidity risk

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

Notes to the consolidated financial statements (continued)

24. Financial risk management (continued)

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

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

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

Capital management

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

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

- The level of borrowing will be on a prudent basis for the asset class and will seek to achieve a low cost of funds, whilst maintaining flexibility in the underlying security requirements and structure of the Group.
- The Board intends to maintain a conservative level of aggregate borrowings with a medium term maximum target of 30% of the Group's total assets.

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

Foreign currency exchange risk

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

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

	Half-year ended 30 September 2023 £m
Investment property revaluation net of deferred tax	(0.6)
Other income statement movements	0.5
Increase in loss for the half-year	(0.1)

Increase in other comprehensive income and equity

10.1

25. Capital commitments

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

Notes to the consolidated financial statements (continued)

26. Earnings per share

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

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

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

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

27. Net asset value per share

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

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

28. Post balance sheet events

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

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

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

29. Controlling parties

There is no ultimate controlling party of the Group.

30. Prior period restatement

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

PART 5

**THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS (TOGETHER
WITH THE INDEPENDENT AUDIT REPORT AND NOTES TO THE
FINANCIAL STATEMENTS) OF THE SIR GROUP FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2020**

Independent Auditor's Report to the Members of Secure Income REIT Plc

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Secure Income REIT Plc (the "Parent Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2020 which comprise the Group Income Statement, the Group Statement of Other Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group and Company Balance Sheets, the Group Cash Flow Statement and the notes to the Group and Company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- assessment of the appropriateness and accuracy of cash flow forecasts by reference to current cash reserves, available finance, contractual rental income, debt service cost obligations and other committed or expected cash flows.
- evaluation of the Directors' assessment as to the ability of each material tenant to satisfy its future contractual rent obligations, with particular focus on the actual and potential impact of the Covid-19 pandemic on those tenants' businesses.
- evaluation of the sensitivity analyses and stress tests performed in relation to the Group's liquidity and loan covenant compliance.
- assessment of the identified options that would be available to mitigate the impact of any future non-payment of rent on the Group and Parent Company's liquidity and the Group's ability to continue to operate within its loan covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2019: 100%) of Group revenue 100% (2019: 100%) of Group profit before tax 100% (2019: 100%) of Group total assets		
Key audit matters		2020	2019
	Valuation of investment property	√	√
	Revenue recognition – lease amendments	√	n/a
Materiality	<i>Group financial statements as a whole</i> £20m (2019: £23m) based on 1% (2019: 1%) of total assets		

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group level. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates in one segment, investment property, structured through a number of subsidiary entities and therefore we treated the Group as one significant component. The Group audit engagement team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified in the key audit matters section below.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Secure Income REIT Plc continued

Key audit matter	How we addressed the key audit matter in the audit
Valuation of investment properties As detailed in note 11, the Group owns a portfolio of investment properties which are carried at their fair value of £1,947 million as at 31 December 2020. The Group's accounting policy for these properties is described in note 2d. The key judgements and estimates in arriving at the fair values are set out in note 11. The determination of the fair value of investment properties is a key area of estimation. The Group engaged independent external valuers to undertake the valuation of its investment property portfolio. The valuation of the Group's investment properties requires significant judgements to be made by the valuers. Any input inaccuracies, unreasonable valuation judgements or management bias could result in a material misstatement of the Group's income statement and balance sheet. The external valuers have also included a material valuation uncertainty clause in relation to the Group's leisure and budget hotel properties in their valuation reports as at 31 December 2020. This clause, which is set out in note 11, represents a significant estimation uncertainty in relation to the valuation of these properties, which represent 60% of the Group's total investment property portfolio by value. The valuation of investment properties was therefore considered to be a key audit matter.	Our audit work included, but was not restricted to, the following: • We assessed the competence, qualifications and objectivity of the independent external valuers engaged by the Group and reviewed the terms of their engagement for any unusual arrangements or evidence of management bias therein or limitations in the scope of their work. • Real estate experts within our team read the valuation reports and confirmed that all valuations had been prepared in accordance with applicable valuation guidelines and were therefore appropriate for determining the carrying value in the Group's financial statements. • Real estate experts within our team met with the Group's external valuers to discuss and challenge the valuation methodology and key assumptions and considered if there were any indicators of undue management influence on the valuations. • We tested, on a portfolio basis, the accuracy of the key observable valuation inputs supplied to and used by the external valuers. This primarily involved agreeing that the passing rental income and lease terms were consistent with the information that we had audited. • We compared the key valuation assumptions against our independently formed market expectations and challenged the external valuers where significant variances from these expectations were identified. We corroborated their responses to supporting documentation where appropriate. The key valuation assumptions were the market capitalisation rates, which we evaluated by reference to market data based on the location and specifics of each property. • We discussed the material valuation uncertainty clauses with the external valuers and our internal experts. We were satisfied that we had obtained sufficient appropriate audit evidence to demonstrate the appropriateness of the Directors' assessment that the valuations of the Group's Leisure and Budget Hotel properties were suitable for inclusion in the Group's financial statements. Key observations We did not identify any indicators to suggest that the valuation of the Group's investment properties is inappropriate.

Key audit matter**How we addressed the key audit matter in the audit****Revenue recognition – lease amendments**

As detailed in [note 4](#), as a result of the Covid-19 pandemic, the Group has agreed various short-term rent concessions or deferrals during the year to provide cash flow assistance to certain of its tenants.

The Group's accounting policy for the recognition of rental income and the accounting for lease modifications is described in [note 2d](#).

The lease amendments and the accounting for those amendments varies from tenant to tenant. Certain aspects, such as the determination of whether the amendments constitute a lease modification in accordance with the accounting standards and, if so, the determination of the lease modification date, involve judgement.

Accounting for the revenue receivable under leases that have been amended during the year was therefore considered to be a key audit matter.

Our audit work included, but was not restricted to, the following:

- We assessed the accounting treatment adopted in respect of each lease amendment effected in the year and confirmed that they were appropriate in accordance with accounting standards.
- We agreed the various lease amendments to supporting documentation and assessed the appropriateness of the judgements taken, including the determination of the lease modification date. Where lease modifications had occurred, we checked the accuracy of the new revenue recognition calculations.
- We evaluated the Directors' assessment that there were no significant areas of judgement that had a material impact on the accounting for the lease amendments and therefore required specific disclosure in the Group's financial statements.

Key observations

We did not identify any indicators to suggest that the Group's recognition of revenue arising from leases which were amended during the period is inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2020	2019	2020	2019
Materiality	£20 million	£23 million	£8.8 million	£9.8 million
Basis for determining materiality	1% of total assets	1% of total assets	1% of total assets	1% of total assets
Performance materiality	75%	75%	75%	75%

Total assets was selected as the benchmark for determining materiality since we consider it to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group and Parent Company. Our performance materiality thresholds were set having considered a number of aspects including the expected total value of known and likely misstatements based on previous assurance engagements and other factors.

Independent Auditor's Report to the Members of Secure Income REIT Plc continued

Specific materiality

We also determined that for the Group's Adjusted EPRA Earnings, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality of £1.7 million (2019: £2.4 million) to apply to those classes of transactions and balances which impact on those earnings. We further applied a performance materiality level of 75% (2019: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them any individual audit differences in excess of £75,000 (2019: £100,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

As the Group has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer term viability	• The Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on pages 50 and 51); and • The Directors' explanation as to their assessment of the entity's prospects, the period this assessment covers and why they period is appropriate (set out on page 51).
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 66; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 66); • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems (set out on page 66); and • The section describing the work of the Audit Committee (set out on pages 65 and 66).

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Secure Income REIT Plc continued

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud.
- We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, relevant accounting standards, UK company law, tax legislation (including the UK REIT regime requirements) and the AIM Rules, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.
- We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures against the requirements of the accounting standards and company law and agreeing those disclosures to underlying supporting documentation where necessary. We reviewed minutes of all Board and Committee meetings held during and subsequent to the year for any indicators of non-compliance and made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also made similar enquiries of advisers to the Group, where information from that adviser has been used in the preparation of the Group financial statements.
- We addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by management or the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.FRC.org.uk/AuditorsResponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Levy (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

10 March 2021

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

Group Income Statement

	Notes	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Revenue	3, 4	121,664	132,677
Property outgoings	5	(1,525)	(1,327)
Gross profit		120,139	131,350
Administrative expenses	6	(17,001)	(22,128)
Profit on disposal of investment properties		32	53,074
Investment property revaluation	11	(166,622)	75,708
Operating (loss)/profit	7	(63,452)	238,004
Finance income	8	374	730
Finance costs	8	(50,264)	(84,234)
(Loss)/profit before tax		(113,342)	154,500
Tax charge	9	(299)	(1,141)
(Loss)/profit for the year		(113,641)	153,359
		Pence per share	Pence per share
Earnings per share			
Basic	10	(35.1)	47.5
Diluted	10	(35.1)	47.3

All amounts relate to continuing activities.

The notes on pages 92 to 124 form part of these financial statements.

Group Statement of Other Comprehensive Income

	Notes	Year to 31 December 2020 £000	Year to 31 December 2019 £000
(Loss)/profit for the year		(113,641)	153,359
Items that may subsequently be reclassified to profit or loss:			
Currency translation differences	21	2,101	(2,000)
Fair value movements in derivatives	13, 21	(637)	(851)
Other comprehensive income/(loss)		1,464	(2,851)
Total comprehensive (loss)/income for the year		(112,177)	150,508

The notes on pages 92 to 124 form part of these financial statements.

Group Statement of Changes in Equity

	Share capital £000	Share premium reserve £000	Other reserves £000	Retained earnings £000	Total £000
Year to 31 December 2020					
At 1 January 2020	32,285	518,415	7,164	826,678	1,384,542
Loss for the year	-	-	-	(113,641)	(113,641)
Other comprehensive income	-	-	1,464	-	1,464
Total comprehensive income/(loss)	-	-	1,464	(113,641)	(112,177)
Issue of shares	119	4,791	(4,910)	-	-
Interim dividends of 15.7 pence per share	-	-	-	(50,824)	(50,824)
At 31 December 2020	32,404	523,206	3,718	662,213	1,221,541
	Share capital £000	Share premium reserve £000	Other reserves £000	Retained earnings £000	Total £000
Year to 31 December 2019					
At 1 January 2019	32,156	513,675	9,977	725,780	1,281,588
Profit for the year	-	-	-	153,359	153,359
Other comprehensive loss	-	-	(2,851)	-	(2,851)
Total comprehensive income	-	-	(2,851)	153,359	150,508
Issue of shares	129	4,740	(4,869)	-	-
Shares to be issued	-	-	4,907	-	4,907
Interim dividends of 16.3 pence per share	-	-	-	(52,461)	(52,461)
At 31 December 2019	32,285	518,415	7,164	826,678	1,384,542

The notes on pages 92 to 124 form part of these financial statements.

Group Balance Sheet

	Notes	31 December 2020 £000	31 December 2019 £000
Non-current assets			
Investment properties	3, 11	1,975,600	2,111,297
Headlease rent deposits		2,740	2,742
Tangible fixed assets		228	-
Interest rate derivatives	13	7	43
		1,978,575	2,114,082
Current assets			
Cash and cash equivalents	14	219,730	267,119
Trade and other receivables	15	20,009	3,798
		239,739	270,917
Total assets		2,218,314	2,384,999
Current liabilities			
Trade and other payables	16	(32,889)	(38,290)
Secured debt	17	(4,984)	(1,170)
Interest rate derivatives	13	(557)	(246)
Current tax liability		(56)	(129)
		(38,486)	(39,835)
Non-current liabilities			
Secured debt	17	(916,596)	(920,408)
Head rent obligations under finance leases	18	(28,662)	(28,190)
Deferred tax liability	19	(11,899)	(11,267)
Interest rate derivatives	13	(1,130)	(757)
		(958,287)	(960,622)
Total liabilities		(996,773)	(1,000,457)
Net assets		1,221,541	1,384,542
Equity			
Share capital	20	32,404	32,285
Share premium reserve	21	523,206	518,415
Other reserves	21	3,718	7,164
Retained earnings	21	662,213	826,678
Total equity		1,221,541	1,384,542
		Pence per share	Pence per share
Basic NAV per share	23	377.0	428.8
Diluted NAV per share	23	377.0	427.3
EPRA NTA per share	23	379.3	429.4

The notes on pages 92 to 124 form part of these financial statements.

The Group financial statements were approved and authorised for issue by the Board of Directors on 10 March 2021 and were signed on its behalf by:

Martin Moore
Chairman

Sandy Gumm
Director

Group Cash Flow Statement

	Notes	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Operating activities			
(Loss)/profit before tax		(113,342)	154,500
Adjustments for non-cash items:			
Investment property revaluation	11	142,516	(86,727)
Depreciation		18	-
Administrative expenses payable in shares	25	-	4,907
Profit on disposal of investment properties		(32)	(53,074)
Finance income	8	(374)	(730)
Finance costs	8	50,264	84,234
Cash flows from operating activities before changes in working capital		79,050	103,110
Changes in working capital:			
Trade and other receivables		(18,811)	(265)
Trade and other payables		(5,504)	(2,144)
Headlease rent deposits		2	24
Cash generated from operations		54,737	100,725
Tax paid		(401)	(233)
Cash flows from operating activities		54,336	100,492
Investing activities			
Net proceeds on disposal of investment properties		2,597	357,744
Interest received		409	695
Acquisition of tangible fixed assets		(246)	-
Acquisition of investment properties		-	(307)
Cash flows from investing activities		2,760	358,132
Financing activities			
Dividends paid		(50,824)	(52,461)
Interest and finance costs paid	24	(47,844)	(53,638)
Scheduled repayment of secured debt	24	(4,434)	(3,988)
Repayment of secured debt from proceeds of property disposals	24	(1,494)	(154,519)
Fees on accelerated prepayment of secured debt	8, 24	-	(27,868)
Loan arrangement costs paid	24	-	(670)
Cash flows from financing activities		(104,596)	(293,144)
(Decrease)/increase in cash and cash equivalents		(47,500)	165,480
Cash and cash equivalents at the beginning of the year		267,119	101,745
Currency translation movements		111	(106)
Cash and cash equivalents at the end of the year	14	219,730	267,119

The notes on pages 92 to 124 form part of these financial statements.

Notes to the Group Financial Statements

1. General information about the Group

The financial information set out in this report covers the year to 31 December 2020 with comparative figures relating to the year to 31 December 2019. It includes the results and net assets of the Company and its subsidiaries, together referred to as the Group.

The Company is incorporated in England and Wales. The address of the registered office and principal place of business is Cavendish House, 18 Cavendish Square, London W1G 0PJ. The nature and scope of the Group's operations and principal activities are described in the Strategic Report on [pages 5 to 51](#). The Company is listed on the AIM market of the London Stock Exchange.

Further information about the Group can be found on its website, www.SecureIncomeREIT.co.uk.

2. Basis of preparation and accounting policies

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

b) Basis of preparation

The Group financial statements are presented in Sterling as this is the currency of the primary economic environment in which the Group operates. Amounts are rounded to the nearest thousand pounds unless otherwise stated.

Euro denominated results for the German operations have been converted to Sterling at the average exchange rate for the year of €1:£0.89 (2019: €1:£0.88), which is not considered to produce materially different results from using the actual rates at the date of the transactions. Year end balances have been converted to Sterling at the 31 December 2020 exchange rate of €1:£0.90 (2019: €1:£0.85).

The financial statements have been prepared on the historical cost basis, except for investment properties and derivatives which are stated at fair value. The accounting policies have been applied consistently in all material respects.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are given in the Strategic Review on [page 50](#).

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets and liabilities as at each balance sheet date and the reported amounts of revenue and expenses during any financial year. Any estimates and assumptions are based on experience and any other factors that are believed to be relevant under the circumstances and which the Board considers reasonable. Actual outcomes may differ from these estimates.

The principal area of estimation uncertainty is the investment property valuation where, as described in [note 11](#), the opinion of independent external valuers has been obtained at each reporting date using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement".

The principal areas of judgement relate to revenue recognition. Consistent with the prior year, one area of judgement is the recognition of any additional revenue in the year as a result of an outstanding May 2018 open market rent review on the Ramsay hospitals. The review is under arbitration and the nature of the assets mean that there is little comparative information on which to base an assessment. The Directors consider that it is not possible at present to make a reasonably certain estimate of any uplift that might result, and the financial statements therefore do not reflect any additional revenue arising as a result of this rent review. This position has not changed from that disclosed in the 2019 financial statements. A further consideration in the year is the treatment of the Covid-19 rent concessions, where the extent of any lease modifications and the methodology for spreading income over lease terms has been assessed in the context of accounting standards and the Company's accounting policies.

The Group's accounting policies for property valuation and revenue recognition are set out in paragraph 2d. Other policies material to the Group are set out in paragraphs 2c and 2e to 2k.

Adoption of new and revised standards

During the year, the Group adopted the amendments to IFRS 16 that were introduced as a result of the Covid-19 pandemic. As these largely apply to lessees rather than lessors, there was no material change to the Group's accounting policies and disclosures.

During year, the Group also adopted the "Interest Rate Benchmark Reform" amendments to IFRS 9, IAS 39 and IFRS 7. As well as certain additional disclosures, the amendments provide relief in applying the requirements of IFRS 9 to certain hedges, including allowing the Group to assume that LIBOR will not be altered as a result of interest rate benchmark reform. Consequently, hedging relationships that may otherwise have been impacted by interest rate benchmark reform have remained in place and no additional ineffective portion of the hedges has been recognised. LIBOR linked exposures amount to only 8% of Group borrowings and 4% of the Group's interest charge on secured debt for the year ended 31 December 2020, therefore any effects are not considered to be material.

None of the other new or amended standards or interpretations issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") have led to any material changes in the Group's accounting policies or disclosures during the year.

Standards and interpretations in issue not yet adopted

The IASB and IFRIC have issued or revised IFRS 1, IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 17, IAS 1, IAS 8, IAS 16, IAS 28, IAS 37, IAS 39 and IAS 41 but these are not expected to have a material effect on the operations of the Group.

c) Basis of consolidation

Subsidiaries are those entities controlled directly or indirectly by the Company. The Company has control within the meaning of this policy when it has power over an entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect those returns.

The consolidated financial statements include the financial statements of the Company's subsidiaries prepared to 31 December under the same accounting policies as the Group as a whole, using the acquisition method. All intra-group balances and transactions are eliminated on consolidation.

All Group entities were wholly owned throughout the current year and the prior year.

d) Property portfolio

Investment properties

Investment properties are properties ultimately owned by the Company, directly or indirectly, which are held for capital appreciation, rental income or both. They are initially recorded at cost and subsequently valued at each balance sheet date at fair value as determined by professionally qualified independent external valuers.

Valuations are calculated, in accordance with "RICS Valuation – Global Standards 2020" by applying market capitalisation rates to future rental cash flows with reference to data from comparable market transactions, together with an assessment of the security of income. Gains or losses arising from changes in the fair value of investment properties are recognised in the income statement in the period in which they arise. Depreciation is not charged in respect of investment properties.

Acquisitions of investment properties are recognised on unconditional exchange of contracts where it is reasonable to assume at the balance sheet date that completion of the acquisition will occur. Disposals of investment properties are recognised when the buyer obtains control of the property, taking into account the points at which the Group has a right to payment and the buyer has obtained legal title or possession of the property, or has taken on the significant risks and rewards of ownership.

Gains or losses on disposal are determined as the difference between the net disposal proceeds and the carrying value of the asset in the previous balance sheet, adjusted for any subsequent capital expenditure or capital receipts.

Notes to the Group Financial Statements continued

2. Basis of preparation and accounting policies continued

Occupational leases

The Directors exercise judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IFRS 16 “Leases” for all occupational leases and headleases to determine whether or not such leases are operating leases. A lease is classified as a finance lease if substantially all of the risks and rewards of ownership transfer to the lessee. In the case of properties where the Group has a leasehold interest, this assessment is made by reference to the Group’s right of use asset arising under the headlease rather than by reference to the underlying asset. If the Group substantially retains those risks, a lease is classified as an operating lease. All occupational leases reflected in these financial statements are classified as operating leases.

Headleases

Where an investment property is held under a leasehold interest, the headlease is initially recognised as an asset at cost plus the present value of minimum ground rent payments. The corresponding rental liability to the head leaseholder is included in the balance sheet as a finance lease obligation. Cash flows arising under headleases are classified under operating activities before changes in working capital in the cash flow statement. Cash deposits held by head leaseholders as guarantees of headlease obligations are held on the balance sheet as non-current assets and any movements in deposits are disclosed as changes in working capital within cash generated from operations in the cash flow statement.

Rental income

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

Where there has been a change in the scope of a lease or the consideration for a lease that was not part of the original terms and conditions of that lease, this is accounted for as a lease modification. This treatment applies to cases where rent reductions have been agreed, as has been the case in the Covid-19 related rent concessions described in the Strategic Report on [pages 9 and 10](#). Such modifications are accounted for as new leases from the effective date of the modification, which is the date at which both parties agree to the terms of the modification. Any prepaid or accrued lease payments relating to the original lease at the date of modification are treated as part of the lease payments for the new lease. Future anticipated rental income is spread over the term of the lease on a straight line basis, giving rise to a Rent Smoothing Adjustment in the event that rent is reduced for a period.

Rent Smoothing Adjustments are not considered to be financial assets as the amounts are not yet contractually due. As such, the requirements of IFRS 9 (including the expected credit loss model) are not applied to those balances, although credit risk is considered in the determination of the fair value of the related property.

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

e) Financial assets and liabilities

Financial assets and liabilities are initially recognised at their fair value when a Group entity becomes a party to the unconditional contractual terms of an instrument. Unless otherwise indicated, the carrying amounts of financial assets and liabilities are considered by the Directors to be reasonable estimates of their fair values.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Impairment is calculated using an expected credit loss model.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with maturities of three months or less held with banks or financial institutions. Returns on cash and cash equivalents are included in the cash flow statement under investing activities.

Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method.

Borrowings and finance costs

Secured debt is initially recognised at its fair value, net of any arrangement fees and other transaction costs directly attributable to its issue. Subsequently, secured debt is carried at amortised cost. Transaction costs are amortised over the life of the loan and charged to the income statement as part of the Group's finance costs. Cash flows relating to borrowings and finance costs are included in the cash flow statement within financing activities.

Derecognition of financial liabilities

The Group derecognises financial liabilities when its obligations are discharged, cancelled or expire. The difference between the carrying amount of those financial liabilities and the consideration paid, including any non-cash assets transferred and any new liabilities assumed, is recognised in profit or loss on derecognition.

Interest rate derivatives

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

Derivatives are classified either as derivatives in effective hedges or derivatives held for trading. It is anticipated that any hedging arrangements will generally be "highly effective" within the meaning of IFRS 9 "Financial Instruments" and that the criteria necessary for applying hedge accounting will therefore be met.

Hedges are assessed upon inception and on an ongoing basis to identify whether they continue to be effective. The gain or loss on the revaluation of the portion of an instrument that qualifies as an effective hedge of cash flow interest rate risk is recognised directly in other comprehensive income. Amounts accumulated in equity will be reclassified to the income statement in the period when the hedged items affect the income statement. The gain or loss on the revaluation of any derivative that is not an effective hedge is recognised directly in the income statement.

The Group ceases to use hedge accounting if a forecast transaction being hedged against is no longer expected to occur. In such circumstances, the cumulative amounts in other comprehensive income are then reclassified from equity to profit or loss.

f) Tax

Tax is included in the income statement except to the extent that it relates to income or expense items recognised through reserves, in which case the related tax is recognised either in other comprehensive income or directly in reserves.

Current tax is the expected tax payable on taxable income for a reporting period at the blended tax rate for the period, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The amount of deferred tax 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 balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Tax paid is classified under cash flows from operating activities in the cash flow statement.

g) 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.

Notes to the Group Financial Statements continued

2. Basis of preparation and accounting policies continued

h) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of directly attributable issue costs. Costs not directly attributable to the issue are included within administrative expenses in the income statement and financing activities within the cash flow statement. Dividends paid are also classified under financing activities in the cash flow statement.

i) Share based payments

The fair value of payments to non-employees that are to be settled by the issue of shares is determined on the basis of an estimate of the value of the services provided over the relevant accounting period. The estimated number of shares to be issued in satisfaction of the services provided is calculated using the average daily closing share price of the Company for that period.

j) Fair value measurements

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. It is based on the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. A fair value measurement of a non-financial asset takes into account the best and highest value use for that asset.

k) Tangible fixed assets

Tangible fixed assets, which comprise car park equipment at Manchester Arena, are depreciated to their residual values, assessed for these purposes as zero, on a straight line basis over their estimated useful life of ten years.

3. Operating segments

IFRS 8 "Operating Segments" requires operating segments to be identified on a basis consistent with internal reports about components of the Group that are reviewed by the chief operating decision maker to make decisions about resources to be allocated between segments and assess their performance. The Company's chief operating decision maker is its Board.

The Group owned 161 properties at 31 December 2020 and 31 December 2019, originally acquired in five separate portfolios. Although certain information about these portfolios is described on a portfolio basis within the Investment Adviser's Report or grouped by property type (Healthcare, Leisure and Budget Hotels), when considering resource allocation and performance the Board reviews quarterly management accounts prepared on a basis which aggregates the performance of the portfolios and focuses on the Group's Total Accounting Return. The Board has therefore concluded that the Group has operated in, and was managed as, one reportable segment of property investment in both the current and prior year.

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

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Revenue		
UK	113,218	124,348
Germany	8,446	8,329
	121,664	132,677
Investment properties		
UK	1,860,300	2,001,047
Germany	115,300	110,250
	1,975,600	2,111,297

Revenue by tenant comprises:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Revenue including Rent Smoothing Adjustments		
Ramsay Healthcare UK Operations Limited, guaranteed by Ramsay Health Care Limited:		
Properties owned throughout the period	37,180	37,165
Properties sold in August 2019	-	10,907
Travelodge Hotels Limited	29,373	30,400
Merlin Attractions Operations Limited, guaranteed by Merlin Entertainments Limited	28,286	27,654
Other tenants (each less than 10% of revenue)	26,825	26,551
Reported revenue	121,664	132,677
	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Revenue excluding Rent Smoothing Adjustments		
Ramsay Healthcare UK Operations Limited, guaranteed by Ramsay Health Care Limited		
Properties owned throughout the period	34,121	33,195
Properties sold in August 2019	-	9,752
Travelodge Hotels Limited	14,072	28,820
Merlin Attractions Operations Limited, guaranteed by Merlin Entertainments Limited	14,043	27,654
Other tenants (each less than 10% of revenue)	16,044	20,742
Revenue on Adjusted EPRA Earnings basis	78,280	120,163

4. Revenue

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Rent receivable	96,360	120,533
Rent Smoothing Adjustments:		
Smoothing of original contractual uplifts	8,901	10,564
Smoothing of Covid-19 rent concessions	14,760	-
Recovery of head rent and service charge costs from occupational tenants (note 5)	1,643	1,580
	121,664	132,677

The Rent Smoothing Adjustments arise from the Group's accounting policy in respect of leases, which requires the recognition of rental income on a straight line basis over the lease term, including rent uplifts throughout the term in certain circumstances. Uplifts that must be smoothed over the lease term are those for the 41% of passing rent as at 31 December 2020 (2019: 38%) that increases by a fixed percentage at each review date and the 6% of passing rent at 31 December 2020 (2019: 6%) that is subject to minimum RPI-linked uplifts.

A new feature of this calculation in the 2020 financial year is the impact of the temporary rent reductions agreed to assist tenants as a result of the Covid-19 pandemic, which in the short term result in rental income being recognised in the income statement ahead of cash flows but which, after the end of each relevant concession period, reverse so that rental income recognised in the income statement will be lower than cash rents received on those leases. These are further described in the Strategic Report on pages 9 and 10, in note 11 and in the Unaudited Supplementary Information following these financial statements. In addition, £17.7 million (2019: £nil) of rent on the Leisure portfolio, receipt of which has been deferred from 2020 to 2021, has also been excluded from revenue on an Adjusted EPRA earnings in the current year because although it has been recognised in the income statement it has not yet been received in cash.

Notes to the Group Financial Statements continued

4. Revenue continued

Revenue on an Adjusted EPRA earnings basis also excludes the back rent received during a prior year from a May 2017 rent review on the healthcare portfolio, which is being recognised in revenue over the remaining lease term despite the cash having been received in 2017, and the amounts recovered from occupational tenants for head rent and service charge costs, which are reclassified against the equivalent costs in property outgoings.

As a result of these adjustments, revenue reconciles between the IFRS basis and Adjusted EPRA Earnings basis as follows:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
IFRS revenue	121,664	132,677
Rent Smoothing Adjustments:		
relating to original contractual uplifts	(8,901)	(10,564)
relating to Covid-19 rent concessions	(14,760)	-
Leisure rent deferral	(17,727)	-
Recovery of head rent and service charge costs reclassified to property outgoings	(1,643)	(1,580)
Adjustment for back rent	(353)	(370)
Adjusted EPRA Earnings revenue	78,280	120,163

The Group's accounting policy for revenue recognition is disclosed in [note 2d](#).

5. Property outgoings

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Property outgoings in the income statement	1,525	1,327
Finance element of head rent included in finance costs (note 8)	1,680	1,702
Movement in headlease liabilities included in property revaluations (note 11)	106	100
Property outgoings	3,311	3,129
Recovery of head rents and service charge costs from occupational tenants, included in revenue (note 4)	(1,643)	(1,580)
Net property outgoings	1,668	1,549

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Property outgoings in the income statement		
Cost of negotiating and documenting Covid-19 rent concessions	568	-
Head rents	461	441
Irrecoverable property costs	293	121
Managing agent costs and other net property outgoings	190	134
Rent review costs	13	416
Costs of prospective capital projects	-	215
	1,525	1,327

Amounts shown above include any irrecoverable VAT. The costs of prospective capital projects in the prior year related largely to feasibility studies and may be capitalised in future if those projects proceed.

The Group's accounting policy for headleases is disclosed in [note 2d](#).

6. Administrative expenses

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Advisory fees (note 25b)	13,661	14,732
Other administrative expenses	2,794	1,546
Corporate costs	546	594
Incentive fee (note 25b)	-	5,256
	17,001	22,128

Amounts shown above include any irrecoverable VAT. The incentive fee in the prior year comprised £4.9 million satisfied by way of the issue of shares and £0.4 million of VAT payable in cash.

The Group's accounting policy for share based payments is disclosed in [note 2i](#).

7. Operating profit

Audit fees, which are included within administrative expenses, relate to:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Audit of the Company's consolidated and individual financial statements	48	47
Audit of subsidiaries, pursuant to legislation	236	182
Total audit services	284	229
Audit related services: review of interim report	35	33
Audit related services: regulatory reporting	-	3
Total audit and audit related services	319	265
Other non-audit services	-	3
Total fees	319	268

Amounts shown above include any irrecoverable VAT. The fees as received by the auditor, excluding VAT, in the year were £286,000 (2019: £259,000), of which £35,000 (2019: £39,000) related to non-audit work.

The Group had no employees in either the current or prior year. The key management personnel of the Company are the Directors, who are appointed under letters of appointment for services. Directors' remuneration, all of which represents fees for services provided and is included within administrative expenses, was as follows:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Martin Moore (Chairman)	75	75
Leslie Ferrar (Chairman of Audit Committee)	45	45
Jonathan Lane	40	40
Ian Marcus	40	40
	200	200

Mike Brown, Sandy Gumm and Nick Leslau received no Directors' remuneration from the Group in either the current or prior year.

Notes to the Group Financial Statements continued

8. Finance income and costs

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Finance income		
Interest on cash deposits	374	730
Finance costs		
<i>Cash costs:</i>		
Interest on secured debt	(45,561)	(49,920)
Interest charge on headlease liabilities (note 5)	(1,680)	(1,702)
Loan agency fees and other lender costs	(300)	(546)
Fees on accelerated prepayment of secured debt following property disposals	-	(27,868)
<i>Non-cash movements:</i>		
Amortisation of loan arrangement costs	(2,280)	(2,382)
Amortisation of interest rate derivatives, transferred from other reserves	(339)	(269)
Fair value adjustment of interest rate derivatives (note 13)	(83)	(104)
Amortisation of loan arrangement costs on accelerated debt prepayment	(21)	(1,443)
Total finance costs	(50,264)	(84,234)
Net finance costs recognised in the income statement	(49,890)	(83,504)
Fair value adjustment of interest rate derivatives	(976)	(1,120)
Amortisation of interest rate derivatives, transferred to the income statement	339	269
Net finance costs recognised in other comprehensive income/(loss) (note 13)	(637)	(851)

Net finance costs analysed by the categories of financial asset and liability shown in [note 17b](#) are as follows:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Financial assets at amortised cost	374	730
Financial liabilities at amortised cost	(50,181)	(84,130)
Derivatives in effective hedges	(83)	(104)
Net finance costs recognised in the income statement	(49,890)	(83,504)

The Group's sensitivity to changes in interest rates, on the basis of a ten basis point change in LIBOR, was as follows:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Effect on (loss)/profit for the year	198	242
Effect on other comprehensive income/(loss) and equity	124	181

The Group receives interest on its cash and cash equivalents so an increase in interest rates would increase finance income. An increase in LIBOR up to the maximum capped rate of 1.65% would also increase finance costs relating to the £23.3 million (2019: £24.8 million) of the secured debt that is hedged by interest rate caps. A further £50.0 million (2019: £50.0 million) of the secured debt is hedged with interest rate swaps, and movements in LIBOR would only have an impact on the fair value of those interest rate swaps, which would be reflected in other comprehensive income. There would be no effect from a change of LIBOR on the remaining £855.0 million (2019: £855.9 million) of the secured debt which is at fixed rates. The Group's sensitivity to interest rates has not changed significantly in the year.

The Group's accounting policy for finance costs is disclosed in [note 2e](#).

9. Tax

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Current tax – Germany		
Corporation tax charge	360	341
Adjustments in respect of prior years	(39)	41
Deferred tax – Germany		
Deferred tax (credit)/charge (note 19)	(22)	759
	299	1,141

The tax assessed for the year varies from the standard rate of corporation tax in the UK applied to the (loss)/profit before tax. The differences are explained below:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
(Loss)/profit before tax	(113,342)	154,500
Tax (credit)/charge at the standard rate of corporation tax in the UK for the financial year of 19% (2019: 19%)	(21,535)	29,355
Effects of:		
Investment property revaluation not allowable/(taxable)	29,924	(15,652)
Qualifying property rental business not taxable under UK REIT rules	(8,935)	(4,001)
Unutilised tax losses carried forward	273	721
Finance costs disallowed under corporate interest restriction rules	257	420
German current tax charge for the year	360	341
Adjustments in respect of prior years	(39)	41
Profit on disposal of investment properties not taxable under UK REIT rules	(6)	(10,084)
Tax charge for the year	299	1,141

The Company and its subsidiaries operate as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT rules exempt the profits of the Group's UK and German property rental business from UK corporation tax. Capital gains on the Group's UK and German properties are also generally exempt from UK corporation tax, provided they are not held for trading or in certain circumstances sold in the three years after completion of a development. None of the Group's properties were developed in the last three years.

To remain a UK REIT, a number of conditions must be met in respect of the Company, the Group's qualifying activity and the Group's balance of business. Since entering the UK REIT regime the Group has met all applicable conditions.

The Group is subject to German corporation tax on its German property rental business at an effective rate of 15% (2019: 15%), resulting in a tax charge of £0.3 million (2019: £0.3 million). A deferred tax liability of £11.9 million (2019: £11.3 million) is recognised for the German capital gains tax that would potentially be payable on the sale of the relevant investment properties.

Certain non-resident unit trust Group entities entered into transparency elections during the year, such that any future disposals of UK investment properties by those entities will be deemed to arise in their parent companies and can therefore benefit from the REIT exemption.

The Group's accounting policy for tax is disclosed in [note 2f](#).

Notes to the Group Financial Statements continued

10. Earnings per share

Basic EPS

Earnings per share ("EPS") is calculated as the profit attributable to ordinary shareholders of the Company for each year divided by the weighted average number of ordinary shares in issue throughout the relevant year. In calculating the weighted average number of shares in issue for basic EPS:

- where shares have been issued during the year in settlement of an incentive fee relating to the results of the prior year, they are treated as having been issued on the first day of the year rather than their actual date of issue, which is typically in March; and
- shares still to be issued at the balance sheet date in settlement of an incentive fee relating to the results of that year are not taken into account.

Diluted EPS

The weighted average number of shares used in the calculation of diluted EPS is required to include any shares to be issued in respect of an incentive fee, as if those shares had been in issue throughout the whole of the year over which the fee was earned, although in fact they will not be issued until the following year.

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
(Loss)/profit for the year	(113,641)	153,359
Weighted average number of shares in issue	Number	Number
Basic EPS calculation	324,035,146	322,850,595
Shares to be issued in satisfaction of incentive fee (note 25d)	-	1,184,551
Diluted EPS calculation	324,035,146	324,035,146
	Pence per share	Pence per share
Basic EPS	(35.1)	47.5
Diluted EPS	(35.1)	47.3

EPRA EPS

The European Public Real Estate Association ("EPRA"), publishes guidelines for calculating adjusted earnings designed to represent core operational activities. EPRA EPS is calculated in accordance with the EPRA Guidance currently in force.

An Adjusted EPRA earnings calculation has also been presented. This adjusted measure was designed to reflect the fact that, as a Group with unusually long leases and a high proportion of fixed or minimum rental increases to spread over the lease terms, the Company's Dividend Cover would be artificially high if calculated on the basis of EPRA EPS. Adjusted EPRA EPS removes the effect of the Rent Smoothing Adjustments, including in the current year the impact of Covid-19 rent concessions. It also excludes any non-recurring costs or income which do not relate to the Group's routine operations, such as costs incurred for share placings. The adjusted measure also excludes any incentive fees which are paid in shares, as they are considered to be linked to revaluation movements and are therefore best treated consistently with revaluations which are excluded from EPRA EPS.

In calculating Adjusted EPRA EPS, the weighted average number of shares is calculated using the actual date on which any shares are issued during the year so as not to create a mismatch between the basis of calculation of Adjusted EPRA EPS and the dividends per share paid in the year. In this way the Group's measure of dividend cover is considered to be more precisely calculated.

The weighted average number of shares applied in calculating Adjusted EPRA EPS has been calculated as follows:

	Year to 31 December 2020 Number	Year to 31 December 2019 Number
Shares in issue throughout the period	322,850,595	321,563,353
<i>Adjustment for:</i>		
Shares issued in March 2020 in settlement of 2019 incentive fee	925,633	-
Shares issued in March 2019 in settlement of 2018 incentive fee	-	976,893
	323,776,228	322,540,246

EPRA and Adjusted EPRA earnings are calculated as:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
(Loss)/profit for the year	(113,641)	153,359
<i>EPRA adjustments:</i>		
Investment property revaluation (note 11)	166,516	(75,708)
Profit on disposal of investment properties	(32)	(53,074)
Deferred tax on German investment property revaluations (note 9)	(22)	759
Amortisation of loan arrangement costs on accelerated debt prepayment (note 8)	21	1,443
Fair value adjustment of interest rate derivatives	13	36
Fees on accelerated debt repayments on property disposals (note 8)	-	27,868
EPRA earnings	52,855	54,683
<i>Other adjustments:</i>		
Rent Smoothing Adjustments (note 4)	(23,661)	(10,564)
Rent deferral	(17,727)	-
Incentive fee (note 6)	-	5,256
Adjusted EPRA earnings	11,467	49,375

As a result of those adjustments, the EPRA EPS and Adjusted EPRA EPS figures are as follows:

	Pence per share	Pence per share
EPRA EPS	16.3	16.9
Adjusted EPRA EPS	3.5	15.3

Notes to the Group Financial Statements continued

11. Investment properties

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Freehold investment properties		
At the start of the year	1,802,390	2,018,115
Revaluation movement	(102,938)	88,901
Currency translation movement	6,341	(5,986)
Disposals	-	(301,535)
Reclassification on acquisition of freehold interest in leasehold property	-	2,595
Acquisition of freehold interest in leasehold property	-	262
Additions	-	38
At the end of the year	1,705,793	1,802,390
Leasehold investment properties		
At the start of the year	308,907	317,105
Revaluation movement	(39,578)	(2,174)
Increase/(decrease) in headlease liabilities	578	(221)
Revaluation movement in headlease liabilities	(106)	(100)
Additions	6	7
Disposals	-	(3,115)
Reclassification on acquisition of freehold interest in leasehold property	-	(2,595)
At the end of the year	269,807	308,907
Total investment properties		
At the start of the year	2,111,297	2,335,220
Revaluation movement	(142,516)	86,727
Currency translation movement	6,341	(5,986)
Increase/(decrease) in headlease liabilities	578	(221)
Revaluation movement in headlease liabilities	(106)	(100)
Additions	6	45
Net cost of acquisition of freehold interest in leasehold property	-	262
Disposals	-	(304,650)
At the end of the year	1,975,600	2,111,297

As at 31 December 2020 the properties were valued at £1,946.9 million (2019: £2,083.1 million) by CBRE Limited or Christie & Co in their capacity as independent external valuers. Of the total fair value, £115.3 million (2019: £110.3 million) relates to the Group's German investment properties, the valuations of which are translated into Sterling at the year end exchange rate.

The valuations were prepared on a fixed fee basis, independent of the portfolio value, and were undertaken in accordance with RICS Valuation – Global Standards 2020 on the basis of fair value, supported by reference to market evidence of transaction prices for similar properties where available.

The Royal Institution of Chartered Surveyors mandated that valuations in certain sectors should be subject to "material valuation uncertainty" as at 31 December 2020. Healthcare asset valuations did not carry such a proviso as at 31 December 2020 or any prior period, and none of the 31 December 2019 valuations in any sector were subject to material valuation uncertainty.

The valuation report on Healthcare assets, which comprise 39.5% of the Group's investment property valuations as at 31 December 2020, included this wording:

"In the healthcare sector, as at the Valuation Date, transaction volumes provided enough up-to-date comparable market evidence upon which to base opinions of value for the Hospital assets and therefore there is no material uncertainty associated with these properties. We do however recommend that you keep the Valuations of all the assets contained in this report under frequent review."

The reports from each valuer included the following statement about material valuation uncertainty in respect of the Leisure and Budget Hotel properties, which together comprise 60.5% of the Group's investment property valuations as at 31 December 2020:

"The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, 'lockdowns' have been applied – in varying degrees – to reflect further 'waves' of Covid-19. While these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact."

The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. In the case of the properties set out within this report, as at the valuation date, we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and a reduction in market evidence on which to base our judgements. Our valuation is therefore reported as being subject to 'material valuation uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt, this explanatory note – including the 'material valuation uncertainty' declaration – does not mean that the valuation cannot be relied upon. Rather, it has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19, we highlight the importance of the valuation date."

Under the Group's accounting policy, in line with IFRS, the carrying value of leasehold properties is grossed up by the present value of minimum headlease payments. The corresponding liability to the head leaseholder is included in the balance sheet as a finance lease obligation. The reconciliation between the carrying value of the investment properties and their independent external valuation is as follows:

	31 December 2020 £000	31 December 2019 £000
Carrying value	1,975,600	2,111,297
Gross-up of headlease liabilities (note 18)	(28,662)	(28,190)
Independent external valuation	1,946,938	2,083,107

Included within the carrying value of investment properties at 31 December 2020 is £181.4 million (2019: £155.7 million) in respect of Rent Smoothing Adjustments (described in [note 4](#) and in the unaudited supplementary information following these financial statements), representing the amount of the net mismatch between rent included in the income statement and cash rents actually receivable. This net receivable increases over broadly the first half of each lease term, in the case of fixed or minimum uplifts, or the period of the temporary rent reductions agreed with tenants in light of Covid-19. The balance then unwinds, reducing to zero by the end of the lease term.

The difference between rents on a straight line basis and rents actually receivable is included within, but does not increase over fair value, the carrying value of investment properties.

Notes to the Group Financial Statements continued

11. Investment properties continued

Also included in the revaluation movement for the year is the impact of back rent received during a prior year from a May 2017 rent review on the healthcare portfolio, which is being recognised in revenue over the remaining lease term despite the cash having been received in 2017, together with movements on the headlease liabilities.

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Investment property revaluation	(142,516)	86,727
Rent Smoothing Adjustments (note 4)	(23,661)	(10,564)
Adjustment for back rent received	(339)	(355)
Movement in headlease liabilities (note 5)	(106)	(100)
Revaluation movement in the income statement	(166,622)	75,708

The historic cost of the Group's investment properties, translated at historic foreign exchange rates, as at 31 December 2020 was £1,479.6 million (2019: £1,479.6 million).

All of the investment properties are held within six (2019: six) ring-fenced security pools as security under fixed charges in respect of separate secured debt facilities.

All of the Group's revenue reflected in the income statement is derived either from rental income or the recovery of head rent and other leasehold costs on investment properties. As shown in [note 5](#), property outgoings arising on investment properties, all of which generated rental income in each year, were £3.3 million (2019: £3.1 million) of which £1.7 million (2019: £1.5 million) was not recoverable from occupational tenants.

Other than the future minimum headlease payments disclosed in [note 18](#), the majority of which are recoverable from tenants, the Group did not have any contractual investment property obligations at either balance sheet date. All responsibility for property liabilities including repairs and maintenance resides directly with the tenants, except at Manchester Arena where such costs relating to the structure and common areas are liabilities of the Group in the first instance. However, since the majority of these costs are currently recoverable from tenants the net cost to the Group in the year was £0.3 million (2019: £0.1 million). In addition, the car park at Manchester Arena is run under an operating agreement which means the Group is responsible for the costs of running the car park to the extent that they are not covered by the revenue it generates. During the year, this resulted in a net cost to the Group of £0.1 million (2019: £nil), as the car park has been largely closed as a result of Covid-related restrictions.

The Board determines the Group's valuation policies and procedures and is responsible for overseeing the valuations. Valuations performed by the Group's independent external valuers are based on information extracted from the Group's financial and property reporting systems, such as current rents and the terms and conditions of lease agreements, together with assumptions used by the valuers (based on market observation and their professional judgement) in their valuation models.

At each reporting date, certain directors of the Investment Adviser, who have recognised professional qualifications and are experienced in valuing the types of property owned by the Group, initially analyse the independent external valuers' assessments of movements in the property valuations from the prior reporting date or, if later, the date of acquisition. Positive or negative fair value changes over a certain materiality threshold are considered and are also compared to external sources, such as the MSCI indices and other relevant benchmarks, for reasonableness. Once the Investment Adviser has considered the valuations, the results are discussed with the independent external valuers, focusing on properties with unexpected fair value changes or any with unusual characteristics. The Audit Committee considers the valuation process, including meetings with the independent external valuers and assessing their expertise and independence, and reports on its assessment of the procedures to the Board.

The fair value of the investment property portfolio has been determined using an income capitalisation technique whereby contracted and market rental values are capitalised with a market capitalisation rate. This technique is consistent with the principles in IFRS 13 and uses significant unobservable inputs, such that the fair value measurement of each property within the portfolio has been classified as level 3 in the fair value hierarchy as defined in IFRS 13. There have been no transfers to or from other levels of the fair value hierarchy during the year.

The key inputs for the level 3 valuations were as follows:

Portfolio	Fair value £000	Key unobservable input	Inputs	
			Range	Blended yield
At 31 December 2020:				
Healthcare	769,095	Net Initial Yield	3.9% – 4.5%	4.5%
		Running Yield by January 2022	4.0% – 4.6%	4.6%
Leisure – UK	687,721	Net Initial Yield	4.8% – 7.3%	5.5%
		Running Yield by January 2022	4.8% – 7.4%	5.7%
		RPI assumption per annum	2.5%	
Budget Hotels	403,484	Topped Up Net Initial Yield	5.3% – 13.9%	7.1%
		Running Yield by January 2022	5.8% – 15.5%	7.2%
		RPI assumption per annum	2.5%	
Leisure – Germany	115,300	Net Initial Yield	5.8%	5.8%
		Running Yield by January 2022	5.9%	5.9%
	1,975,600			
At 31 December 2019:				
Healthcare	748,385	Net Initial Yield	3.9% – 4.5%	4.5%
		Running Yield by December 2020	4.0% – 4.6%	4.6%
Leisure – UK	751,008	Net Initial Yield	3.7% – 6.2%	5.0%
		Running Yield by December 2020	4.2% – 6.9%	5.1%
		RPI assumption per annum	2.5% – 3.1%	
Budget Hotels	501,654	Net Initial Yield	4.3% – 10.5%	5.5%
		Running Yield by December 2020	4.5% – 10.5%	5.7%
		RPI assumption per annum	2.5%	
Leisure – Germany	110,250	Net Initial Yield	5.5%	5.5%
		Running Yield by December 2020	5.7%	5.7%
	2,111,297			

The principal sensitivity of measurement to variations in the significant unobservable outputs is that decreases in Net Initial Yield, decreases in Running Yield and increases in RPI will increase the fair value (and vice versa).

The Group's accounting policy for investment properties is disclosed in [note 2d](#).

Notes to the Group Financial Statements continued

12. Subsidiaries

The companies listed below are the subsidiary undertakings of the Company at 31 December 2020, all of which are wholly owned. Save where indicated all subsidiary undertakings are incorporated in England with their registered office at Cavendish House, 18 Cavendish Square, London W1G 0PJ.

	Nature of business
SIR Theme Park Subholdco Limited*	Intermediate parent company and borrower under mezzanine secured debt facility
Charcoal Midco 2 Limited	Intermediate parent company
SIR Theme Parks Limited	Intermediate parent company and borrower under senior secured debt facility
SIR ATH Limited	Property investment – leisure
SIR ATP Limited	Property investment – leisure
SIR HP Limited	Property investment – leisure and borrower under senior secured debt facility (incorporated in England, operating in Germany)
SIR TP Limited	Property investment – leisure
SIR WC Limited	Property investment – leisure
SIR Hospital Holdings Limited*	Intermediate parent company
SIR Umbrella Limited	Intermediate parent company
SIR Hospitals Propco Limited	Intermediate parent company and borrower under secured debt facility
SIR Duchy Limited	Property investment – healthcare
SIR Springfield Limited	Property investment – healthcare
SIR Healthcare 1 Limited	Intermediate parent company
SIR Healthcare 2 Limited	Intermediate parent company and borrower under secured debt facility
SIR Fitzwilliam Limited	Property investment – healthcare
SIR Fulwood Limited	Property investment – healthcare
SIR Lisson Limited	Property investment – healthcare
SIR Midlands Limited	Property investment – healthcare
SIR Oaklands Limited	Property investment – healthcare
SIR Oaks Limited	Property investment – healthcare
SIR Pinehill Limited	Property investment – healthcare
SIR Rivers Limited	Property investment – healthcare
SIR Woodland Limited	Property investment – healthcare
SIR Yorkshire Limited	Property investment – healthcare
Thomas Rivers Limited	Property investment – healthcare
SIR Hotels 1 Limited*	Intermediate parent company
SIR Hotels Jersey Limited†	Intermediate parent company
SIR Unitholder 1 Limited†	Intermediate parent company
SIR Unitholder 2 Limited†	Intermediate parent company
Grove Property Unit Trust 6†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 7†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 9†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 11†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 12†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 16†	Property investment – budget hotels and borrower under secured debt facility
SIR Hotels 2 Limited*	Intermediate parent company
SIR Hotels Jersey 2 Limited†	Intermediate parent company
SIR Unitholder 3 Limited†	Intermediate parent company
SIR Unitholder 4 Limited†	Intermediate parent company
Grove Property Unit Trust 2†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 5†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 13†	Property investment – budget hotels and borrower under secured debt facility

* directly owned by the Company; all other entities are indirectly owned

† incorporated in Jersey with their registered office at 26 New Street, St Helier, Jersey JE2 3RA

Nature of business	
Grove Property Unit Trust 14 [†]	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 15 [†]	Property investment – budget hotels and borrower under secured debt facility
SIR Maple 4 Limited	Property investment – budget hotels and borrower under secured debt facility
SIR Maple Holdco Limited*	Intermediate parent company
SIR Maple 1 Limited [†]	Intermediate parent company
SIR Unitholder 5 Limited [†]	Intermediate parent company
MIF I Unit Trust ^x	Property investment – leisure and borrower under secured debt facility
SIR Maple 2 Limited	Property investment – leisure and borrower under secured debt facility
SIR Maple 3 Limited	Property investment – leisure and borrower under secured debt facility
SIR New Hall Limited*	Dormant
SIR MTL Limited*	Dormant
Charcoal Bidco Limited*	Dormant
SIR Hotels 2 Holdco Limited [†]	Dormant
SIR Hotels 2 GP Limited [†]	Dormant
SIR Hotels 2 Nominee Limited [†]	Dormant
SIR Hotels 2 LP [†]	Dormant
SIR Newco Limited*	Dormant
SIR Newco 2 Limited*	Dormant

* directly owned by the Company; all other entities are indirectly owned

[†] incorporated in Jersey with the registered office at 26 New Street, St Helier, Jersey JE2 3RA

^x incorporated in Jersey with the registered office at 44 Esplanade, St Helier, Jersey JE4 9WG

The terms of the secured debt facilities may, in the event of a covenant breach, restrict the ability of certain subsidiaries to transfer distributable reserves or assets including cash to the Company, which is itself outside all security groups.

Notes to the Group Financial Statements continued

13. Interest rate derivatives

The notional amounts of the Group's interest rate derivatives comprise:

	31 December 2020 £000	31 December 2019 £000
Interest rate swaps (weighted average rate 1.3%)	50,000	50,000
Interest rate caps (weighted average rate 1.5%)		
In effective hedges	23,272	24,766
Classified as held for trading	3,256	1,762
	76,528	76,528

The fair value of those interest rate derivatives and the movement in fair value during the year was as follows:

	31 December 2020 £000	31 December 2019 £000
Interest rate swaps:		
Falling due within one year	(557)	(246)
Falling due in more than one year	(1,130)	(757)
	(1,687)	(1,003)
Interest rate caps:		
Falling due in more than one year	7	43
	(1,680)	(960)
	Year to 31 December 2020 £000	Year to 31 December 2019 £000
At the start of the year	(960)	(5)
Charge to the income statement (note 8)	(83)	(104)
Charge to other comprehensive income (note 8)	(637)	(851)
At the end of the year	(1,680)	(960)

The Group utilises interest rate derivatives in risk management as cash flow hedges to protect against movements in future interest costs on secured loans which bear interest at variable rates. The derivatives have been valued in accordance with IFRS 13 by reference to interbank bid market rates as at the close of business on the last working day prior to each balance sheet date by Chatham Financial Europe Limited. The fair values are calculated using present values of future cash flows based on market forecasts of interest rates and adjusted for the credit risk of the counterparties. The amounts and timing of future cash flows are projected on the basis of the contractual terms of the derivatives. All interest rate derivatives are classified as level 2 in the fair value hierarchy as defined in IFRS 13 and there were no transfers to or from other levels of the fair value hierarchy during the year.

The entire £50.0 million notional amount of the interest rate swaps and £10.0 million of the notional amount of the interest rate caps are used to hedge cash flow interest rate risk on £60.0 million of the floating rate loans shown in [note 17a](#). The notional amounts of the interest rate derivatives equal the loan principal balance, and their maturity dates also match. £3.3 million of the notional amount of the interest rate caps was not designated for hedge accounting to allow for any future loan prepayments and as a result, although the entire cash flow interest rate is hedged, the hedges as measured for the purposes of IFRS 9 were expected on inception to be 94.5% effective throughout their lives.

The remaining £16.5 million notional amount of the interest rate caps is used to hedge cash flow interest rate risk on the remaining £13.3 million (2019: £14.8 million) of the floating rate loans shown in [note 17a](#). Following a rebalancing of the hedging arrangements on £3.2 million (2019: £1.7 million) of the notional amount of the interest rate caps, matching the loan principal that has been repaid from the proceeds of investment property sales, the notional amounts of the interest rate caps designated for hedge accounting equal the loan principal balance and their maturity dates also match. As a result, the interest rate cap hedges, which have a fair value of £6,000 (2019: £40,000), are expected to be 100% effective throughout their terms. The remaining interest rate caps, which have a fair value of £1,000 (2019: £3,000), have been classified as held for trading.

The floating rate loans and interest rate derivatives are contractually linked to LIBOR, a market rate which is expected to become unavailable from the end of 2021. The Investment Adviser is working with the Group's lenders and derivative counterparties to transition to an alternative benchmark rate, currently expected to be Sterling Overnight Index Average ("SONIA"). The transition is not expected to have a material impact on the results or financial position of the Group.

The Group's accounting policy for interest rate derivatives is disclosed in [note 2e](#).

14. Cash and cash equivalents

	31 December 2020 £000	31 December 2019 £000
Free cash and cash equivalents	196,628	240,254
Secured cash	23,102	26,261
Regulatory capital	-	604
	219,730	267,119

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

In the prior year and until March 2020 the Company was classified as an Alternative Investment Fund and was required by the Financial Conduct Authority to hold a balance of regulatory capital in liquid funds, which was maintained in cash. This classification ceased to apply to the Company during the year so the Company is no longer required to hold regulatory capital.

The Group's accounting policy for cash and cash equivalents is disclosed in [note 2e](#).

15. Trade and other receivables

	31 December 2020 £000	31 December 2019 £000
Trade receivables	605	359
Accrued income	18,425	35
Prepayments	614	599
Other receivables	365	240
Investment property disposal proceeds receivable	-	2,565
	20,009	3,798

Having been reviewed for expected credit losses, no impairment was considered necessary for trade receivables and accrued income.

The Group's accounting policy for trade and other receivables is disclosed in [note 2e](#).

Notes to the Group Financial Statements continued

16. Trade and other payables

	31 December 2020 £000	31 December 2019 £000
Trade payables	968	1,172
Rent received in advance and other deferred income	19,566	24,402
Interest payable	7,979	8,019
Tax and social security	2,305	3,192
Accruals and other payables	2,071	1,505
	32,889	38,290

The Group's accounting policy for trade and other payables is disclosed in [note 2e](#).

17. Financial assets and liabilities

a) Borrowings

	31 December 2020 £000	31 December 2019 £000
Amounts falling due within one year		
Fixed rate secured debt	7,284	3,480
Unamortised finance costs	(2,300)	(2,310)
	4,984	1,170
Amounts falling due in more than one year		
Fixed rate secured debt	847,719	852,411
Floating rate secured debt	73,272	74,766
Unamortised finance costs	(4,395)	(6,769)
	916,596	920,408

The Group had no undrawn, committed borrowing facilities at either balance sheet date.

The debt is secured by charges, within six ring-fenced security groups, over the Group's investment properties and by fixed and floating charges over the other assets of certain Group companies, not including the Company itself save for a limited share charge over the parent company of one of the ring-fenced subgroups.

During the year, certain financial covenants were amended or waived to accommodate the temporary Covid-19 rent concessions on the Leisure and Budget Hotels portfolios described in the Strategic Report on [pages 9 and 10](#). There were no defaults or breaches of any loan covenants during the current or any prior year.

The analysis of borrowings by currency is as follows:

	31 December 2020 £000	31 December 2019 £000
Sterling denominated		
Secured debt	863,877	869,645
Unamortised finance costs	(6,421)	(8,677)
	857,456	860,968
Euro denominated		
Secured debt	64,398	61,012
Unamortised finance costs	(274)	(402)
	64,124	60,610

The Group's accounting policy for borrowings is disclosed in [note 2e](#).

b) Categories of financial instruments

	31 December 2020 £000	31 December 2019 £000
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents (note 14)	219,730	267,119
Accrued income (note 15)	18,425	35
Headlease deposits	2,740	2,742
Trade receivables (note 15)	605	359
Other receivables	155	19
Amounts receivable from investment property disposals	-	2,565
Derivatives in effective hedges:		
Interest rate caps (note 13)	6	40
Derivatives classified as held for trading:		
Interest rate caps (note 13)	1	3
	241,662	272,882
Financial liabilities		
Financial liabilities at amortised cost:		
Secured debt	(921,580)	(921,578)
Headlease liabilities (note 18)	(28,662)	(28,190)
Interest payable (note 16)	(7,979)	(8,019)
Accruals and other payables (note 16)	(2,071)	(1,505)
Trade payables (note 16)	(968)	(1,172)
Derivatives in effective hedges:		
Interest rate swaps (note 13)	(1,687)	(1,003)
	(962,947)	(961,467)

At each balance sheet date, all financial assets and liabilities other than derivatives in effective hedges and derivatives classified as held for trading were measured at amortised cost.

As at 31 December 2020 the fair value of the Group's secured debt was £969.2 million (2019: £961.0 million) and the fair value of the other financial liabilities was equal to their book value. Fair value is not the same as a liquidation valuation, the amount required to prepay the loans at the balance sheet date, and therefore does not represent an estimate of the cost to the Group of prepaying the debt before the scheduled maturity date, which would be materially higher.

The secured debt was valued in accordance with IFRS 13 by reference to interbank bid market rates as at the close of business on the balance sheet date by Chatham Financial Europe Limited. All secured debt was classified as level 2 in the fair value hierarchy as defined in IFRS 13 and its fair value was calculated using the present values of future cash flows, based on market benchmark rates (interest rate swaps) and the estimated credit risk of the Group for similar financings. There were no transfers to or from other levels of the fair value hierarchy during the current or prior year.

The Group's accounting policy for financial assets and liabilities is disclosed in [note 2e](#).

Notes to the Group Financial Statements continued

17. Financial assets and liabilities continued

c) Financial risk management

Through the Group's operations and use of debt financing it is exposed to certain risks. The Group's financial risk management objective is to manage the effect of these risks, for example by using fixed rate debt and interest rate derivatives to manage exposure to fluctuations in interest rates.

The exposure to each financial risk considered potentially material to the Group, how it would arise and the policy for managing it is summarised below.

Market risk

Market risk in financial assets and liabilities is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from open positions in interest bearing assets, liabilities and foreign currencies, to the extent that these are exposed to general and specific market movements.

(a) Market risk – interest rate risk

The Group's interest bearing assets comprise only cash and cash equivalents. Changes in market interest rates therefore affect the Group's finance income. The Group's interest bearing liabilities comprise only secured debt. Changes in market interest rates therefore affect the Group's finance costs.

The Group's policy is to mitigate interest rate risk on its financial liabilities by entering into interest rate derivatives, which at the balance sheet date included interest rate swaps on £50.0 million (2019: £50.0 million) of floating rate debt and interest rate caps on the remaining £23.3 million (2019: £24.8 million) of floating rate debt. Under the interest rate swaps, the Group agrees to exchange with an institutional counterparty, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed schedule of notional principal amounts. The Group's fixed rate debt and debt where the interest rate risk is hedged by way of interest rate swaps, together totalling £905.0 million (2019: £905.9 million), are therefore not subject to interest rate risk. Under the interest rate caps, the Group agrees a similar exchange if the variable interest rate exceeds the contractual strike rate of the derivative. The Group is therefore exposed to limited cash flow interest rate risk on the £23.3 million (2019: £24.8 million) of floating rate debt where this risk is hedged by way of interest rate caps. Interest on those loans is payable at variable rates up to the maximum established by the cap strike rate, which averaged 1.5% (2019: 1.5%) in the year.

The Group's sensitivity to changes in interest rates is disclosed in [note 8](#).

Trade and other payables are interest free as long as they are paid in accordance with their terms, and have payment terms of less than one year, so there is considered to be no material interest rate risk associated with these financial liabilities.

(b) Market risk – foreign currency exchange risk

The Group prepares its financial statements in Sterling. On an IFRS basis, 3.5% (2019: 2.7%) 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 3.9% (2019: 3.1%). 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:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Investment property revaluation net of deferred tax	(131)	290
Other income statement movements	257	227
Effect on (loss)/profit for the year	126	517
Effect on other comprehensive income and equity	4,108	3,805

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations as a result of financial stress. The principal counterparties are the Group's tenants (in respect of trade receivables and accrued income arising under operating leases), banks and financial institutions (as holders of the Group's cash deposits and hedging counterparties) and the counterparties to the Group's investment property disposals.

The credit risk of trade receivables is considered low because the counterparties to the operating leases are believed by the Board to be capable of discharging their lease obligations and any lease guarantors are also of appropriate financial strength. On the 71% of the portfolio (at 31 December 2020 valuations) that has been owned by Group entities since 2007, over the last 13 years the rent has always been paid by the due date. Rent collection statistics are benchmarked in internal reports to identify any problems at any early stage, and if necessary and where possible (in the absence, for example, of a Government imposed moratorium on the enforcement of rent collection) rigorous credit control procedures are applied to facilitate the recovery of trade receivables.

As at 31 December 2020, the Group held financial assets with a carrying value of £0.4 million (2019: £nil) which were past due, all of which were trade receivables and all but £40,000 of which (a cost recovery from a tenant, not rent) have been received since the balance sheet date. The Group did not hold any financial assets that were impaired at either balance sheet date.

The credit risk on cash deposits is considered to be limited because the counterparties are banks and financial institutions with credit ratings which are acceptable to the Board and which are kept under review at least each quarter and more often if required.

Inflation risk

Inflation risk arises from the impact of inflation on the Group's income and expenditure. 58% (2019: 59%) of the Group's contractual passing rent before concessions at 31 December 2020 is subject to RPI-linked rent reviews, though those rents are subject to nil or upwards review, never downwards. 41% (2019: 41%) of contractual passing rent before concessions is subject to fixed rental uplifts and is not exposed to fluctuations in the inflation rate, with 1% (2019: nil) subject to upwards only open market rent reviews. As a result, the Group is not exposed to any fall in rent in deflationary conditions.

In November 2020, the UK Government and UK Statistics Authority announced changes to RPI such that it will align with the Consumer Prices Index ("CPIH") from February 2030. The exact impact on the RPI clauses in the Group's leases will depend on precisely how the UK Statistics Agency implements the change. On a downside basis, if rents were to follow CPIH which has been on average 0.8 percentage points lower than RPI over the past ten years and assuming a differential continues, the rent uplifts from 2030 onwards would be lower than they would otherwise have been. However, the Group's lease provisions may provide protection so that there would be no change in some or all cases. In the event that rental uplifts do change from 2030, any valuation impact in such circumstances would be expected to be insignificant as the market tends not to differentiate materially between RPI and CPIH lease structures, with the other property characteristics carrying greater weight in establishing pricing.

The Group is exposed to inflation risk on its running costs, which (with the exception of any advisory and incentive fees, the calculation of which is based on EPRA NAV as described in [note 25b](#)) could increase in inflationary conditions. These costs totalled £3.3 million (2019: £2.4 million) in the current year (20% (2019: 11%) of total administrative expenses) and therefore the impact of any significant percentage increase in inflation on the financial results or position of the Group would be relatively limited.

Notes to the Group Financial Statements continued

17. Financial assets and liabilities continued

Liquidity risk

Liquidity risk arises from the Group's management of working capital and its ability to meet the finance costs and principal repayments on its secured debt. It is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Board seeks to manage liquidity risk by ensuring that sufficient cash is available to meet the Group's foreseeable needs. The Group's more material financial obligations are the payment of financing costs and any scheduled amortisation or repayments of its secured debt. Financing costs and scheduled amortisation have been met, with only limited exceptions during a rent concession period for one tenant, out of rental income which, in all cases, provides headroom over the relevant amounts payable. Before entering into any financing arrangements, the Board assesses the resources that are expected to be available to the Group to meet its liabilities when they fall due including repayments at loan maturity. These assessments are made on the basis of both base case and stress tested scenarios.

Other liquidity needs are relatively modest and are managed principally through the deduction of much of the direct operating costs from rental receipts before any surplus is applied in payment of interest and loan amortisation as required by the facility agreements relating to the Group's secured debt.

Budgets and working capital forecasts are reviewed by the Board at least quarterly to assess liquidity requirements and compliance with loan covenants. The Board also keeps under review the maturity profile of the Group's cash deposits in order to have reasonable assurance that cash will be available for the settlement of liabilities or to deploy in investment opportunities when they fall due.

The following maturity analysis has been drawn up based on the undiscounted cash flows of financial liabilities, including future interest payments, with reference to the earliest date on which the Group can be required to pay. During the year, 73% (2019: 69%) of the Group's headlease liabilities were recoverable from tenants and are not included in this analysis to the extent that they are recoverable.

31 December 2020	Effective interest rate	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
Financial assets						
Cash and cash equivalents	0.2%	219,730	-	-	-	219,730
Accrued income		18,425	-	-	-	18,425
Headlease deposits		-	-	-	2,740	2,740
Trade and other receivables		730	30	-	-	760
Interest rate derivatives		-	2	5	-	7
		238,885	32	5	2,740	241,662
Financial liabilities						
Fixed rate secured debt	5.1%	(50,775)	(425,351)	(524,259)	-	(1,000,385)
Floating rate secured debt	2.4%	(1,757)	(1,675)	(74,505)	-	(77,937)
Headlease liabilities		(533)	(533)	(1,600)	(7,295)	(9,961)
Accrued interest		(7,979)	-	-	-	(7,979)
Trade payables and accruals and other payables		(3,039)	-	-	-	(3,039)
Interest rate derivatives	1.3%	(558)	(686)	(443)	-	(1,687)
		(64,641)	(428,245)	(600,807)	(7,295)	(1,100,988)

	Effective interest rate	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
31 December 2019						
Financial assets						
Cash and cash equivalents	0.6%	267,119	-	-	-	267,119
Trade and other receivables		2,924	-	-	-	2,924
Headlease deposits		-	-	-	2,742	2,742
Interest rate derivatives		-	3	40	-	43
Accrued income		35	-	-	-	35
		270,078	3	40	2,742	272,863
Financial liabilities						
Fixed rate secured debt	5.1%	(47,968)	(50,442)	(576,096)	(363,559)	(1,038,065)
Floating rate secured debt	2.9%	(2,134)	(2,083)	(77,922)	-	(82,139)
Headlease liabilities		(502)	(502)	(1,507)	(6,871)	(9,382)
Accrued interest		(8,019)	-	-	-	(8,019)
Trade payables and accruals and other payables		(2,677)	-	-	-	(2,677)
Interest rate derivatives	1.3%	(246)	(316)	(441)	-	(1,003)
		(61,546)	(53,343)	(655,966)	(370,430)	(1,141,285)

d) Capital risk management in respect of the financial year

The Board's primary risk management objective when monitoring capital is to preserve the Group's ability to continue as a going concern, while ensuring it remains within its secured debt covenants to safeguard shareholders' equity and avoid financial penalties. Borrowings are secured on each of six (2019: six) property portfolios by way of fixed charges over property assets, over the shares in the parent company of each ring-fenced borrower subgroup, and also by floating charges on the assets of the relevant subsidiary companies within each distinct subgroup. The suitability of the extent of asset cover in the secured facilities forms a key part of debt negotiations and ongoing monitoring.

At 31 December 2020 and 31 December 2019, the capital structure of the Group consisted of debt ([note 17a](#)), cash and cash equivalents ([note 14](#)), and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves described in [notes 20](#) and [21](#)).

In managing the Group's capital structure, the Board considers the Group's cost of capital. In order to maintain or adjust the capital structure, the Board keeps under review the amount of any dividends or other returns to shareholders and monitors the extent to which the issue of new shares, repurchases of share capital or the realisation of assets may be advisable or required.

Details of significant accounting policies are disclosed in the accounting policies in [note 2](#). This includes the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument.

Until March 2020, the Group was subject to externally imposed capital requirements under AIFMD as disclosed in [note 14](#). Those capital requirements were complied with at all relevant times during the current and prior year.

Notes to the Group Financial Statements continued

18. Headlease liabilities

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

	31 December 2020 £000	31 December 2019 £000
Minimum headlease payments		
Within one year	1,817	1,786
Between one and five years	7,297	7,166
More than five years	157,922	154,489
	167,036	163,441
Less future finance charges	(138,374)	(135,251)
	28,662	28,190

The earliest expiry date of all the headlease obligations is in more than five years. All but £0.5 million (2019: £0.5 million) of the minimum headlease payments due within one year are recoverable from the occupational tenants.

The Group's accounting policy for headleases is disclosed in [note 2d](#).

19. Deferred tax liability

The deferred tax liability relates to unrealised gains on the Group's German investment properties.

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
At the start of the year	11,267	11,110
(Credit)/charge to the income statement (note 9)	(22)	759
Charge/(credit) to other comprehensive income	654	(602)
At the end of the year	11,899	11,267

The Group's accounting policy for deferred tax is disclosed in [note 2f](#).

20. Share capital

Share capital represents the aggregate nominal value of shares issued. The movement in the number of fully paid ordinary shares of 10 pence each in issue was as follows:

	Year to 31 December 2020 Number	Year to 31 December 2019 Number
At the start of the year	322,850,595	321,563,353
Issue of ordinary shares:		
in settlement of 2019 incentive fee	1,184,551	-
in settlement of 2018 incentive fee	-	1,287,242
At the end of the year	324,035,146	322,850,595

21. Reserves

The share premium reserve represents the surplus of the gross proceeds of share issues over the nominal value of the shares, net of the direct costs of those equity issues.

Retained earnings represent the cumulative profits and losses recognised in the income statement, together with any amounts transferred or reclassified from the Group's share premium reserve and other reserves, less dividends paid.

Other reserves represent:

- the cumulative exchange gains and losses on foreign currency translation;
- the cumulative gains or losses, net of tax, on effective cash flow hedging instruments; and
- the impact on equity of any shares to be issued after the balance sheet date, as described in [note 25d](#), under the terms of the incentive fee arrangements.

Movements in other reserves comprise:

	Currency translation differences £000	Shares to be issued £000	Cash flow hedging instruments £000	Total £000
Year to 31 December 2020				
At the start of the year	3,305	4,910	(1,051)	7,164
Currency translation movements	2,101	-	-	2,101
Fair value of derivatives (note 13)	-	-	(637)	(637)
Other comprehensive income/(loss)	2,101	-	(637)	1,464
Shares issued in the year	-	(4,910)	-	(4,910)
At the end of the year	5,406	-	(1,688)	3,718
Year to 31 December 2019				
At the start of the year	5,305	4,872	(200)	9,977
Currency translation movements	(2,000)	-	-	(2,000)
Fair value of derivatives (note 13)	-	-	(851)	(851)
Other comprehensive loss	(2,000)	-	(851)	(2,851)
Shares issued in the year	-	(4,869)	-	(4,869)
Shares to be issued	-	4,907	-	4,907
At the end of the year	3,305	4,910	(1,051)	7,164

Notes to the Group Financial Statements continued

22. Operating leases

The majority of the Group's assets are investment properties leased to third parties under non-cancellable operating leases. The weighted average remaining lease term at 31 December 2020 is 20.2 years (2019: 21.0 years) and there are no tenant break options. The leases contain either fixed uplifts or upwards only RPI-linked uplifts, alongside periodic upwards only open market reviews on 1% (2019: nil) of the Group's contractual passing rent before concessions.

RPI-linked uplifts on 37% (2019: 41%) of the Group's passing rent as at 31 December 2020 resulted in the settlement of £0.9 million (2019: £0.9 million) of contingent rental income that was recognised in the income statement in the year.

Future minimum rents receivable are as follows:

	31 December 2020 £000	31 December 2019 £000
Within one year	104,903	110,697
Between one and two years	115,515	111,932
Between two and three years	116,875	113,534
Between three and four years	118,456	114,944
Between four and five years	118,504	116,373
More than five years	2,045,222	2,129,296
	2,619,475	2,696,776

The Group's accounting policy for operating leases is disclosed in [note 2d](#).

23. Net asset value per share

Net asset value ("NAV") per share is calculated as the net assets of the Group attributable to shareholders divided by the number of shares in issue at the end of each year, which as at 31 December 2020 was 324,035,146 shares (2019: 322,850,595 shares).

Diluted NAV per share includes within the denominator any shares that will be issued in future, such as those in settlement of any incentive fee that may become payable as explained in [note 25d](#), which at 31 December 2020 resulted in a total of 324,035,146 shares (2019: 321,035,146 shares).

The European Public Real Estate Association ("EPRA") publishes guidelines for the calculation of three measures of NAV to enable consistent comparisons between property companies, which were updated in the prior year and took effect from 1 January 2020. The Group uses EPRA Net Tangible Assets ("EPRA NTA") as the most meaningful measure of long term performance and the measure which is being adopted by the majority of UK REITs, establishing it as the industry standard benchmark. It excludes items that are considered to have no impact in the long term, such as the fair value of derivatives and a portion of the deferred tax on investment properties held for long term benefit, and uses as its denominator the same number of shares in issue for calculating diluted NAV per share, which reflects any shares to be issued in settlement of an incentive fee as described in [note 25d](#).

The Group's basic NAV, diluted NAV and EPRA NTA are as follows:

	31 December 2020		31 December 2019	
	£000	Pence per share	£000	Pence per share
Basic NAV	1,221,541	377.0	1,384,542	428.8
EPRA adjustments:				
Dilution from shares to be issued for 2019 incentive fee	-	-	-	(1.5)
Diluted NAV	1,221,541	377.0	1,384,542	427.3
50% of deferred tax on German investment property revaluations	5,950	1.8	5,634	1.8
Fair value of interest rate derivatives	1,734	0.5	1,084	0.3
EPRA NTA	1,229,225	379.3	1,391,260	429.4

24. Reconciliation of changes in financial liabilities arising from financing activities

	Secured debt due within one year (note 17a) £000	Secured debt due in more than one year (note 17a) £000	Headlease liabilities (note 18) £000	Interest payable (note 16) £000	Derivatives (note 13) £000	Total £000
Year to 31 December 2020						
At the start of the year	2,124	919,454	28,190	8,019	960	958,747
<i>Cash flows:</i>						
Interest and finance costs paid	-	-	(1,680)	(45,768)	(396)	(47,844)
Scheduled repayment of secured debt	(4,434)	-	-	-	-	(4,434)
Repayment of secured debt from property sales	-	(1,494)	-	-	-	(1,494)
<i>Non-cash movements:</i>						
Finance costs in the income statement	2,310	97	1,680	45,716	461	50,264
Finance costs in other comprehensive income	-	-	-	-	637	637
Increase in headlease liabilities	-	-	578	-	-	578
Revaluation movement in headlease liabilities	-	-	(106)	-	-	(106)
Currency translation movements	(15)	3,538	-	30	-	3,553
Reclassifications	4,999	(4,999)	-	(18)	18	-
At the end of the year	4,984	916,596	28,662	7,979	1,680	959,901
Year to 31 December 2019						
At the start of the year	1,771	1,078,495	28,511	9,248	5	1,118,030
<i>Cash flows:</i>						
Repayment of secured debt from property sales	-	(154,519)	-	-	-	(154,519)
Interest and finance costs paid	-	-	(1,702)	(51,833)	(103)	(53,638)
Loan break costs	-	(27,868)	-	-	-	(27,868)
Scheduled repayment of secured debt	(3,988)	-	-	-	-	(3,988)
Loan arrangement costs paid	-	(670)	-	-	-	(670)
<i>Non-cash movements:</i>						
Finance costs in the income statement	2,385	29,308	1,702	50,586	253	84,234
Finance costs in other comprehensive loss	-	-	-	-	851	851
Decrease in headlease liabilities	-	-	(221)	-	-	(221)
Revaluation movement in headlease liabilities	-	-	(100)	-	-	(100)
Currency translation movements	8	(3,344)	-	(28)	-	(3,364)
Reclassifications	1,948	(1,948)	-	46	(46)	-
At the end of the year	2,214	919,454	28,190	8,019	960	958,747

Notes to the Group Financial Statements continued

25. Related party transactions and balances

a) Relationship between Company and Investment Adviser

The Investment Advisory Agreement sets out the terms of the relationship between the Company and the Investment Adviser, including services to be provided and the calculation of the advisory fee and any incentive fee. The agreement has a termination date in December 2025 and neither party to the agreement has any contractual renewal right. The agreement may be terminated in certain circumstances which are summarised on page 59 of the March 2016 Secondary Placing Disclosure Document which is available in the Investor Centre of the Company's website. It includes a right for the Company to terminate the agreement without compensation in the event of an unremedied breach by the Investment Adviser and a right for the Investment Adviser to terminate the agreement in the event of a change of control of the Company. The maximum termination fee is four times the previous quarter's advisory fee, with any such termination payment designed to cover the cost of redundancies and wind down costs that may be required following the Investment Adviser's loss of the management of the Group.

During the year, the Investment Adviser was Prestbury Investment Partners Limited ("PIP"). Nick Leslau, Mike Brown and Sandy Gumm, who are Directors of the Company, are also directors and shareholders in PIP together with Tim Evans and Ben Walford. Until 10 December 2019, the Investment Adviser was Prestbury Investments LLP ("PILLP"), at which date the Investment Advisory Agreement was novated from PILLP to PIP with the terms of the agreement remaining unchanged. The ownership of PILLP and PIP was identical at the date of transfer and PIP had the same resources available to it to perform the services required as PILLP had available to it. Nick Leslau, Mike Brown and Sandy Gumm hold partnership interests in PILLP.

b) Basis of calculation of fees

EPRA introduced new methods of calculation of EPRA net asset value which apply with effect from 1 January 2020. In considering that change, the Remuneration Committee concluded that, in order for the calculation of the advisory and incentive fees to remain consistent with the way that those fees had been calculated since the Company's listing and as set out in the Investment Advisory Agreement, the fees would continue to be calculated on the basis of the EPRA NAV methodology in place at the time of the agreement. That basis is set out in the EPRA Guidance previously issued in 2016, referred to in these financial statements as "2016 basis EPRA NAV".

In addition, following a proposal made by the Investment Adviser, with effect from 1 April 2020 the advisory fee is reduced to the extent that the net assets include surplus cash realised on the disposal of a portfolio of hospitals in August 2019 to the extent that surplus cash remains available for deployment. The balance of the surplus cash at 1 April 2020 was £158.3 million and as at 31 December 2020 was £113.9 million. The 2016 basis EPRA NAV used for the fee calculations reconciles to EPRA NTA as follows:

	31 December 2020		31 December 2019	
	£000	Pence per share	£000	Pence per share
EPRA NTA	1,229,225	379.3	1,391,260	429.4
Add back 50% of deferred tax on German investment property revaluations	5,950	1.9	5,633	1.7
2016 basis EPRA NAV for purposes of incentive fee calculation	1,235,175	381.2	1,396,893	431.1
Adjustment for surplus cash	(113,945)	(35.2)	-	-
NAV for purposes of advisory fee calculations	1,121,230	346.0	1,396,893	431.1

c) Advisory fees payable

Advisory fees payable to the Investment Adviser are calculated on a reducing scale based on the Group's 2016 basis EPRA NAV adjusted for surplus cash:

- 1.25% per annum on 2016 basis EPRA NAV up to £500 million, plus
- 1.0% per annum on 2016 basis EPRA NAV between £500 million and £1 billion, plus
- 0.75% per annum on 2016 basis EPRA NAV between £1 billion and £1.5 billion, plus
- 0.5% per annum on 2016 basis EPRA NAV over £1.5 billion.

During the year, advisory fees of £12.8 million (2019: £0.8 million) plus VAT were payable to PIP, of which £10,000 was receivable (as a routine adjustment to the calculation of the fee for the fourth quarter) as at the balance sheet date and included in trade and other receivables ([note 15](#)) (2019: £0.8 million payable and included in trade and other payables ([note 16](#))). During the year, advisory fees of £nil (2019: £12.9 million) plus VAT were payable in cash to PILLP, of which £nil (2019: £nil) was outstanding as at the balance sheet date. The impact of adopting 2016 basis EPRA NAV is that fees payable in the current year were c. £44,000 higher than they would have been under EPRA NTA.

d) Incentive fee

The Investment Adviser may become entitled to an incentive fee intended to reward growth in Total Accounting Return ("TAR") above an agreed benchmark and to maintain strong alignment of the Investment Adviser's interests with those of shareholders. TAR is measured as growth in 2016 basis EPRA NAV per share plus dividends paid in the year.

The fee entitlement is calculated annually on the basis of the Group's audited financial statements, with any fee payable settled in shares in the Company (subject to certain limited exceptions none of which have yet applied). Sales of these shares are restricted (save for certain limited exceptions), with the restriction lifted on a phased basis over a period from 18 to 42 months from the date of issue. Shares may be released from the sale restriction in the event that shares need to be sold to settle the tax liability on the receipt of those shares, but this exemption has never been requested.

The incentive fee is calculated by reference to growth in TAR: if that growth exceeds a hurdle rate of 10% over a given financial year, an incentive fee equal to 20% of this excess is payable in shares to the Investment Adviser. In the event of an incentive fee being payable, a high water mark is established, represented by the 2016 basis EPRA NAV per share at the end of the relevant financial year, after the impact of the incentive fee, which is then the starting point for the cumulative hurdle calculations for future periods. The hurdle is set at the higher of the 2016 basis EPRA NAV at the start of the year plus 10% or the high water mark 2016 basis EPRA NAV plus 10% per annum. In this way, the incentive fee is never rebased as a result of a year of low or negative growth, maintaining strong alignment of management and shareholder interests. Dividends or other distributions paid in any period are treated as payments on account against achievement of the hurdle rate of return. The incentive fee payable in any year is subject to a cap of 5% of 2016 basis EPRA NAV, save for a fee payable in the event of a change of control of the Company which is uncapped.

A high water mark EPRA NAV per share of 431.1 pence per share was established at 31 December 2019 when a fee was last earned, therefore TAR had to exceed 43.1 pence per share for the year to 31 December 2020 for a fee to be earned. Since dividends of 15.7 pence per share were paid in the year, this equated to a 2016 basis EPRA NAV per share of 459.6 pence per share at 31 December 2020. Since 2016 basis EPRA NAV is below this level, no incentive fee arises for the current year.

Assuming no changes in the Company's capital structure, 2016 basis EPRA NAV per share growth together with dividends paid will have to exceed 124.4 pence per share for the year ending 31 December 2021 before an incentive fee is earned for that year.

In the prior year, an incentive fee of £5.3 million was payable: £4.9 million that was satisfied by way of the issue of 1,184,551 shares to PIP in March 2020, plus £0.4 million of irrecoverable VAT which arises on any element of the Group's costs, including incentive fees, that relate to the healthcare portfolio.

Notes to the Group Financial Statements continued

25. Related party transactions and balances continued

e) Dividends paid to related parties and key management personnel

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Prestbury Incentives Limited†	3,007	3,049
Nick Leslau*	2,880	3,668
Mike Brown	186	193
Prestbury Investment Partners Limited†	136	-
Sandy Gumm	30	31
Martin Moore	19	19
Ian Marcus	14	14
Jonathan Lane	9	9
Leslie Ferrar	4	4
	6,285	6,987

† Nick Leslau, Mike Brown and Sandy Gumm are shareholders and directors of both Prestbury Investment Partners Limited and the parent undertaking of Prestbury Incentives Limited, together with other key management personnel, Tim Evans and Ben Walford. Other senior members of the Prestbury team also have equity interests in those companies

* comprising dividends from 16,850,300 ordinary shares held by an entity in which Nick Leslau has a 95% indirect interest and 1,491,709 shares held by a company which he wholly owns

26. Events after the balance sheet date

On 5 March 2021, the Company paid an interim dividend of 3.65 pence per share amounting to £11.7 million.

PART 6

**THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS (TOGETHER
WITH THE INDEPENDENT AUDIT REPORT AND NOTES TO THE
FINANCIAL STATEMENTS) OF THE SIR GROUP FOR THE FINANCIAL
YEAR ENDED 31 DECEMBER 2021**

Independent Auditor's Report to the Members of Secure Income REIT Plc

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Secure Income REIT Plc (the "Parent Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2021 which comprise the Group Income Statement, the Group Statement of Other Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the Group and Company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- assessment of the appropriateness and accuracy of cash flow forecasts by reference to current cash reserves, available finance, contractual rental income, debt service cost obligations and other committed or expected cash flows.
- evaluation of the Group's ability to successfully refinance any debt facilities falling due within the going concern period.
- evaluation of the Directors' assessment as to the ability of each material tenant to satisfy its contractual rent obligations, with particular focus on the actual and potential impact of the Covid-19 pandemic on those tenants' businesses.
- evaluation of the sensitivity analyses and stress tests performed in relation to the Group's liquidity and loan covenant compliance.
- assessment of the identified options that would be available to mitigate the impact of any future non-payment of rent on the Group and Parent Company's liquidity and the Group's ability to continue to operate within its loan covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors consider it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2020: 100%) of Group revenue 100% (2020: 100%) of Group profit before tax 100% (2020: 100%) of Group total assets		
Key audit matters ("KAMs")		2021	2020
	Valuation of investment property	✓	✓
	Revenue recognition – lease amendments	n/a	✓
	Revenue recognition – lease amendments is no longer considered a KAM as the key judgements and considerations relating to these amendments were concluded in the prior year.		
Materiality	<i>Group financial statements as a whole</i> £22.5m (2020: £20m) based on 1% (2020: 1%) of total assets		

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group level. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates in one segment, investment property, structured through a number of subsidiary entities and therefore we treated the Group as one significant component. The Group audit engagement team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified in the key audit matters section below.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Secure Income REIT Plc continued

Key audit matter	How we addressed the key audit matter in the audit
Valuation of investment properties As detailed in note 11, the Group owns a portfolio of investment properties which are carried at their fair value. The Group's accounting policy for these properties is described in note 2d. The key judgements and estimates in arriving at the fair values are set out in notes 2b and 11. The determination of the fair value of investment properties is a key area of estimation. The Group engaged independent external valuers to undertake the valuation of its investment property portfolio. The valuation of the Group's investment properties requires significant judgements to be made by the valuers. Any input inaccuracies, unreasonable valuation judgements or management bias could result in a material misstatement of the Group's income statement and balance sheet. The valuation of investment properties was therefore considered to be a key audit matter.	Our audit work included, but was not restricted to, the following: Experience of the valuer and relevance of its work - We assessed the competence, qualifications, independence and objectivity of the external valuers engaged by the Group and reviewed the terms of their engagement for any unusual arrangements or evidence of management bias therein or limitations in the scope of their work. - Real estate experts within our team read the valuation reports and confirmed that all valuations had been prepared in accordance with applicable valuation guidelines and were therefore appropriate for determining the carrying value in the Group's financial statements. Data provided to the valuer - We tested, on a portfolio basis, the accuracy of the key observable valuation inputs supplied to and used by the external valuers. This primarily involved agreeing that the passing rental income and lease terms were consistent with the information that we had audited. Assumptions and estimates used by the valuer - We developed yield expectations for each property using available independent industry data, reports and details of relevant comparable transactions in the market around the year end date. - We compared the key valuation assumptions against our independently formed market expectations and challenged the external valuers where significant variances from these expectations were identified. We corroborated their responses to supporting documentation where appropriate. The key valuation assumptions were the market capitalisation rates, which we evaluated by reference to market data based on the location and specifics of each property. - Real estate experts within our team met with the Group's external valuers to discuss and challenge the valuation methodology and key assumptions and considered if there were any indicators of undue management influence on the valuations. Related disclosures in the financial statements - We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation assumptions and valuation sensitivity. Key observations We did not identify any indicators to suggest that the valuation of the Group's investment properties is inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2021	2020	2021	2020
Materiality	£22.5 million	£20.0 million	£8.5 million	£8.8 million
Basis for determining materiality	Materiality for the Group and Parent Company's financial statements was set at 1% of total assets (2020: 1%).			
Rationale for benchmark applied	Total assets was selected as the benchmark for determining materiality since we consider it to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group and Parent Company.			
Performance materiality (% of materiality)	75%	75%	75%	75%
Basis for determining materiality	On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 75% (2020: 75%) of materiality.			

Specific materiality

We also determined that for the Group's Adjusted EPRA earnings, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality of £1.7 million (2020: £1.7 million), based on 5% (2020: 5%) of Adjusted EPRA earnings, to apply to those classes of transactions and balances which impact the calculation of those earnings. We further applied a performance materiality level of 75% (2020: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them any individual audit differences in excess of £75,000 (2020: £75,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report to the Members of Secure Income REIT Plc continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

As the Group has voluntarily adopted the UK Corporate Governance Code 2018 we are required to review the Directors' statement in relation to going concern, longer term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer term viability

- The Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on [page 44](#)); and
- The Directors' explanation as to their assessment of the entity's prospects, the period this assessment covers and why they believe this period is appropriate (set out on [page 45](#)).

Other Code provisions

- Directors' statement on fair, balanced and understandable set out on [page 61](#);
 - The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on [page 61](#));
 - The section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on [page 61](#)); and
 - The section describing the work of the Audit Committee (set out on [page 61](#)).
-

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Secure Income REIT Plc continued

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud.
- We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, relevant accounting standards, UK company law, tax legislation (including the UK REIT regime requirements) and the AIM Rules, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.
- We designed audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures against the requirements of the accounting standards and company law and agreeing those disclosures to underlying supporting documentation where necessary. We reviewed minutes of all Board and Committee meetings held during and subsequent to the year for any indicators of non-compliance and made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also made similar enquiries of advisers to the Group, where information from that adviser has been used in the preparation of the Group financial statements.
- We considered the valuation of the investment property portfolio and management override of internal controls to be significant risks to the audit. Our response to the valuation of investment properties is set out in the key audit matter section above. We addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by management or the Directors that represented a risk of material misstatement due to fraud.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.FRC.org.uk/AuditorsResponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Levy (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

9 March 2022

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

Group Income Statement

	Notes	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Revenue	<u>3.4</u>	122.4	121.7
Property outgoings	<u>5</u>	(0.6)	(1.5)
Gross profit		121.8	120.2
Administrative expenses	<u>6</u>	(15.2)	(17.0)
Investment property revaluation	<u>11</u>	140.2	(166.7)
Operating profit/(loss)	<u>7</u>	246.8	(63.5)
Net finance costs	<u>8</u>	(50.0)	(49.9)
Profit/(loss) before tax		196.8	(113.4)
Tax credit/(charge)	<u>9</u>	2.8	(0.3)
Profit/(loss) for the year		199.6	(113.7)
		Pence per share	Pence per share
Earnings per share			
Basic and diluted	<u>10</u>	61.6	(35.1)

All amounts relate to continuing activities.

The notes on [pages 94 to 123](#) form part of these financial statements.

Group Statement of Other Comprehensive Income

	Notes	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Profit/(loss) for the year		199.6	(113.7)
Items that may subsequently be reclassified to profit or loss:			
Currency translation differences	21	(3.6)	2.1
Fair value movements in derivatives	13,21	1.6	(0.6)
Other comprehensive (loss)/income		(2.0)	1.5
Total comprehensive income/(loss) for the year		197.6	(112.2)

The notes on [pages 94 to 123](#) form part of these financial statements.

Group Statement of Changes in Equity

	Share capital £m	Share premium reserve £m	Other reserves £m	Retained earnings £m	Total £m
Year to 31 December 2021					
At 1 January 2021	32.4	523.2	3.7	662.2	1,221.5
Profit for the year	-	-	-	199.6	199.6
Other comprehensive loss	-	-	(2.0)	-	(2.0)
Total comprehensive income	-	-	(2.0)	199.6	197.6
Interim dividends of 15.2 pence per share	-	-	-	(49.3)	(49.3)
At 31 December 2021	32.4	523.2	1.7	812.5	1,369.8
Year to 31 December 2020					
At 1 January 2020	32.3	518.4	7.1	826.7	1,384.5
Loss for the year	-	-	-	(113.7)	(113.7)
Other comprehensive income	-	-	1.5	-	1.5
Total comprehensive loss	-	-	1.5	(113.7)	(112.2)
Issue of shares	0.1	4.8	(4.9)	-	-
Interim dividends of 15.7 pence per share	-	-	-	(50.8)	(50.8)
At 31 December 2020	32.4	523.2	3.7	662.2	1,221.5

The notes on [pages 94 to 123](#) form part of these financial statements.

Group Balance Sheet

	Notes	31 December 2021 £m	31 December 2020 £m
Non-current assets			
Investment properties	<u>3,11</u>	2,158.2	1,975.6
Headlease rent deposits		2.8	2.8
Property, plant and equipment		0.2	0.2
Interest rate derivatives	<u>13</u>	0.1	-
		2,161.3	1,978.6
Current assets			
Cash and cash equivalents	<u>14</u>	198.4	219.7
Trade and other receivables	<u>15</u>	2.8	20.0
		201.2	239.7
Total assets		2,362.5	2,218.3
Current liabilities			
Trade and other payables	<u>16</u>	(41.3)	(32.9)
Secured debt	<u>17</u>	(373.8)	(5.0)
Interest rate derivatives	<u>13</u>	(0.2)	(0.5)
Current tax liability		(0.1)	(0.1)
		(415.4)	(38.5)
Non-current liabilities			
Secured debt	<u>17</u>	(538.6)	(916.6)
Head rent obligations under finance leases	<u>18</u>	(30.6)	(28.7)
Deferred tax liability	<u>19</u>	(8.0)	(11.9)
Interest rate derivatives	<u>13</u>	(0.1)	(1.1)
		(577.3)	(958.3)
Total liabilities		(992.7)	(996.8)
Net assets		1,369.8	1,221.5
Equity			
Share capital	<u>20</u>	32.4	32.4
Share premium reserve	<u>21</u>	523.2	523.2
Other reserves	<u>21</u>	1.7	3.7
Retained earnings	<u>21</u>	812.5	662.2
Total equity		1,369.8	1,221.5
		Pence per share	Pence per share
Basic and diluted NAV per share	<u>23</u>	422.7	377.0
EPRA NTA per share	<u>23</u>	424.1	379.3

The notes on [pages 94 to 123](#) form part of these financial statements.

The Group financial statements were approved and authorised for issue by the Board of Directors on 9 March 2022 and were signed on its behalf by:

Martin Moore
Chairman

Sandy Gumm
Director

Group Cash Flow Statement

	Notes	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Operating activities			
Profit/(loss) before tax		196.8	(113.4)
Investment property revaluation	<u>11</u>	(155.5)	142.5
Finance income	<u>8</u>	-	(0.4)
Finance costs	<u>8</u>	50.0	50.3
Cash flows from operating activities before changes in working capital		91.3	79.0
Changes in working capital:			
Trade and other receivables		17.0	(18.8)
Trade and other payables		5.5	(5.5)
Cash generated from operations		113.8	54.7
Tax paid		(0.3)	(0.4)
Cash flows from operating activities		113.5	54.3
Investing activities			
Leisure lease incentive payments		(30.5)	-
Disposal of investment properties		0.1	2.6
Interest received		-	0.4
Acquisition of property, plant and equipment		-	(0.2)
Cash flows from investing activities		(30.4)	2.8
Financing activities			
Dividends paid		(49.3)	(50.8)
Interest and finance costs paid	<u>24</u>	(47.7)	(47.9)
Scheduled repayment of secured debt	<u>24</u>	(7.3)	(4.4)
Repayment of secured debt from proceeds of disposal of investment properties	<u>24</u>	-	(1.5)
Cash flows from financing activities		(104.3)	(104.6)
Decrease in cash and cash equivalents		(21.2)	(47.5)
Cash and cash equivalents at the beginning of the year		219.7	267.1
Currency translation movements		(0.1)	0.1
Cash and cash equivalents at the end of the year	<u>14</u>	198.4	219.7

The notes on [pages 94 to 123](#) form part of these financial statements.

Notes to the Group Financial Statements

1. General information about the Group

The financial information set out in this report covers the year to 31 December 2021 with comparative figures relating to the year to 31 December 2020. It includes the results and net assets of the Company and its subsidiaries, together referred to as the Group.

The Company is incorporated in the United Kingdom and listed on the AIM market of the London Stock Exchange. The address of the registered office and principal place of business is Cavendish House, 18 Cavendish Square, London W1G 0PJ. The nature and scope of the Group's operations and principal activities are described in the Strategic Report on [pages 2 to 45](#).

Further information about the Group can be found on its website, www.SecureIncomeREIT.co.uk. Contact details for the Company and key advisers are included in the Company Information at the end of this report.

2. Basis of preparation and material accounting policies

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

b) Basis of preparation

The Group financial statements are presented in Sterling as this is the currency of the primary economic environment in which the Group operates. Amounts are rounded to the nearest hundred thousand pounds unless otherwise stated.

Euro denominated results of the German operations have been converted to Sterling at the average exchange rate for the year of €1:£0.86 (2020: €1:£0.89), which is not considered to produce materially different results from using the actual rates at the date of the transactions. Year end balances have been converted to Sterling at the 31 December 2021 exchange rate of €1:£0.84 (2020: €1:£0.90). The accounting policy for foreign currency translation is in [note 2g](#).

The financial statements have been prepared on the historical cost basis, except for investment properties and derivatives which are stated at fair value. The accounting policies have been applied consistently in all material respects.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are given in the Strategic Review on [page 44](#).

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets and liabilities as at each balance sheet date and the reported amounts of revenue and expenses during any financial year. Any estimates and assumptions are based on experience and any other factors that are believed to be relevant under the circumstances and which the Board considers reasonable. Actual outcomes may differ from these estimates.

The principal area of estimation uncertainty is the investment property valuation where, as described in [note 11](#), the opinion of independent external valuers has been obtained at each reporting date using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement".

The principal areas of judgement relate to revenue recognition. Consistent with the prior year, one specific area of judgement is the recognition of any additional revenue in the year as a result of an outstanding May 2018 open market rent review on the Ramsay hospitals. The review is under arbitration and the nature of the assets mean that there is little comparative information on which to base an assessment. The Directors consider that it is not possible at present to make a reasonably certain estimate of any uplift that might result, and the financial statements therefore do not reflect any additional revenue arising as a result of this rent review. This position has not changed from that disclosed in the 2020 financial statements.

The Group's accounting policies for property valuation and revenue recognition are set out in paragraph 2d. Other policies material to the Group are set out in paragraphs 2c and 2e to 2i.

Adoption of new and revised standards

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

During the year, the Group adopted the amendments to IFRS 16 that extended the period over which the amendments issued in the prior year were applicable, and the amendments to IFRS 9, IAS 39 and IFRS 7 representing phase two of the interest rate benchmark reform transition. There was no material change to the Group's accounting policies and disclosures as a result.

There were no other new or amended standards issued by the International Accounting Standards Board ("IASB") during the year, and none of the interpretations issued by the IFRS Interpretations Committee ("IFRIC") have led to any material changes in the Group's accounting policies or disclosures during the year.

Standards and interpretations in issue not yet adopted

The IASB and IFRIC have issued or revised IFRS 1, IFRS 3, IFRS 9, IFRS 16, IFRS 17, IAS 1, IAS 8, IAS 12, IAS 16, IAS 37, IAS 41 and IFRS Practice Statement 2. These are not expected to have a material effect on the reported results or financial position of the Group.

c) Basis of consolidation

Subsidiaries are those entities controlled directly or indirectly by the Company. The Company has control within the meaning of this policy when it has power over an entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect those returns.

The consolidated financial statements include the financial statements of the Company's subsidiaries prepared to 31 December under the same accounting policies as the Group as a whole, using the acquisition method. All intra-group balances and transactions are eliminated on consolidation.

All Group entities were wholly owned throughout the current year and the prior year.

d) Property portfolio

Investment properties

Investment properties are properties ultimately owned by the Company, directly or indirectly, which are held for capital appreciation, rental income or both. They are initially recorded at cost and subsequently valued at each balance sheet date at fair value as determined by professionally qualified independent external valuers.

Valuations are calculated, in accordance with RICS Valuation – Global Standards 2020, by applying market capitalisation rates to future rental cash flows with reference to data from comparable market transactions, together with an assessment of the security of income. Gains or losses arising from changes in the fair value of investment properties are recognised in the income statement in the period in which they arise. Depreciation is not charged in respect of investment properties.

Occupational leases

The Directors exercise judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IFRS 16 "Leases" for all occupational leases and headleases, to determine whether or not such leases are operating leases. A lease is classified as a finance lease if substantially all of the risks and rewards of ownership transfer to the lessee. In the case of properties where the Group has a leasehold interest, this assessment is made by reference to the Group's right of use asset arising under the headlease rather than by reference to the underlying asset. If the Group substantially retains those risks, a lease is classified as an operating lease. All occupational leases reflected in these financial statements are classified as operating leases.

Notes to the Group Financial Statements continued

2. Basis of preparation and material accounting policies continued

Headleases

Where an investment property is held under a leasehold interest, the headlease is initially recognised as an asset at cost plus the present value of minimum ground rent payments. The corresponding rental liability to the head leaseholder is included in the balance sheet as a finance lease obligation. Cash flows arising under headleases are classified under operating activities before changes in working capital in the cash flow statement. Cash deposits held by head leaseholders as guarantees of headlease obligations are held on the balance sheet as non-current assets, and any movements in deposits are disclosed as changes in working capital within cash generated from operations in the cash flow statement.

Rental income

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

Any lease incentives, including payments made to a tenant, and initial direct costs incurred in obtaining a lease are added to the carrying amount of the underlying asset and recognised as expenses over the lease term on the same basis as the relevant lease income.

Where there has been a change in the scope of a lease or the consideration for a lease that was not part of the original terms and conditions of that lease, this is accounted for as a lease modification. Such modifications are accounted for as new leases from the effective date of the modification, which is the date at which both parties agree to the terms of the modification. Any prepaid or accrued lease payments relating to the original lease at the date of modification are treated as part of the lease payments for the new lease. Future anticipated rental income is spread over the term of the lease on a straight line basis, giving rise to a Rent Smoothing Adjustment in the event that rent is reduced for a period.

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

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

e) Financial assets and liabilities

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with maturities of three months or less held with banks or financial institutions. Returns on cash and cash equivalents are included in the cash flow statement under investing activities.

Borrowings and finance costs

Secured debt is initially recognised at its fair value, net of any arrangement fees and other transaction costs directly attributable to its issue. Subsequently, secured debt is carried at amortised cost. Finance costs are charged to the income statement over the term of the debt using the effective interest method. Loan issue costs are initially recognised as a reduction in the proceeds of the relevant loan and are amortised as a charge to the income statement over the term of the loan as part of the Group's finance costs. Cash flows relating to borrowings and finance costs are included in the cash flow statement within financing activities.

Interest rate derivatives

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

Derivatives are classified either as derivatives in effective hedges or derivatives held at fair value through profit and loss. It is anticipated that any hedging arrangements will generally be "highly effective" within the meaning of IFRS 9 "Financial Instruments" and that the criteria necessary for applying hedge accounting will therefore be met.

Hedges are assessed upon inception and on an ongoing basis to identify whether they continue to be effective. The gain or loss on the revaluation of the portion of an instrument that qualifies as an effective hedge of cash flow interest rate risk is recognised directly in other comprehensive income. Amounts accumulated in equity will be reclassified to the income statement in the period when the hedged items affect the income statement. The gain or loss on the revaluation of any derivative that is not an effective hedge is recognised directly in the income statement.

The Group ceases to use hedge accounting if a forecast transaction being hedged is no longer expected to occur. In such circumstances, the cumulative amounts in other comprehensive income are reclassified from equity to the income statement.

f) Tax

Tax is included in the income statement except to the extent that it relates to income or expense items recognised through reserves, in which case the related tax is recognised either in other comprehensive income or directly in reserves.

Current tax is the expected tax payable on taxable income for a reporting period at the blended tax rate for the period, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The amount of deferred tax 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 balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Tax paid is classified under cash flows from operating activities in the cash flow statement.

g) 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.

h) Equity dividends

Equity dividends are recognised when they become legally payable: interim dividends when paid and final dividends when approved by shareholders at an annual general meeting.

i) Share based payments

The fair value of payments to non-employees that are to be settled by the issue of shares is determined on the basis of an estimate of the value of the services provided over the relevant accounting period. The estimated number of shares to be issued in satisfaction of the services provided is calculated using the average daily closing share price of the Company for that period.

Notes to the Group Financial Statements continued

3. Operating segments

IFRS 8 "Operating Segments" requires operating segments to be identified in the financial statements on a basis consistent with internal reports about components of the Group that are reviewed by the chief operating decision maker to make decisions about resources to be allocated between segments and assess their performance. The Company's chief operating decision maker is its Board.

The Group owned 160 properties at 31 December 2021 (2020: 161), originally acquired in five separate portfolios. Although certain information about these portfolios is described on a portfolio basis within the Investment Adviser's Report or grouped by property type (Healthcare, Leisure and Budget Hotels), when considering resource allocation and performance the Board reviews quarterly management accounts prepared on a basis which aggregates the performance of the portfolios and focuses on the Group's Total Accounting Return. The Board has therefore concluded that the Group has operated in, and was managed as, one reportable segment of property investment in both the current and prior year.

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

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Revenue		
UK	114.2	113.2
Germany	8.2	8.5
	122.4	121.7

	31 December 2021 £m	31 December 2020 £m
Investment properties		
UK	2,023.5	1,860.3
Germany	134.7	115.3
	2,158.2	1,975.6

Revenue by tenant comprises:

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Revenue including Rent Smoothing Adjustments		
Ramsay Healthcare UK Operations Limited, guaranteed by Ramsay Health Care Limited	37.2	37.2
Travelodge Hotels Limited	29.5	29.4
Merlin Attractions Operations Limited, guaranteed by Merlin Entertainments Limited	29.1	28.3
Other tenants (each less than 10% of revenue)	26.6	26.8
Reported revenue	122.4	121.7

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Revenue excluding Rent Smoothing Adjustments		
Ramsay Healthcare UK Operations Limited, guaranteed by Ramsay Health Care Limited	35.0	34.1
Travelodge Hotels Limited	19.7	14.0
Merlin Attractions Operations Limited, guaranteed by Merlin Entertainments Limited	43.1	14.1
Other tenants (each less than 10% of revenue)	23.6	16.1
Revenue on Adjusted EPRA earnings basis	121.4	78.3

4. Revenue

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Rent receivable	105.6	96.0
Rent Smoothing Adjustments:		
Smoothing of contractual uplifts	7.4	8.9
Smoothing of temporary Covid-19 rent concessions	7.4	14.8
Adjustment for Healthcare back rent	0.4	0.4
Recovery of head rent and service charge costs from occupational tenants (note 5)	1.6	1.6
	122.4	121.7

The Rent Smoothing Adjustments arise from the Group's accounting policy in respect of leases, which requires the recognition of rental income on a straight line basis over the lease term, including rental uplifts throughout the term in certain circumstances. Uplifts that must be smoothed over the lease term are those for the 41% of passing rent as at 31 December 2021 (2020: 41%) that increases by a fixed percentage at each review date and the 31% of passing rent at 31 December 2021 (2020: 6%) that is subject to minimum uplifts.

These Rent Smoothing Adjustments include the impact of the temporary rent reductions agreed to assist tenants as a result of the Covid-19 pandemic, which in the short term resulted in rental income being recognised in the income statement ahead of cash flows but which, after the end of each relevant concession period, reverse so that rental income recognised in the income statement will be lower than cash rents received on those leases. These are further described in [note 11](#) and in the Unaudited Supplementary Information following these financial statements. Rent Smoothing Adjustments also include the back rent received during a prior year from a May 2017 rent review on the Healthcare portfolio, which is being recognised in revenue over the remaining lease term despite the cash having been received in 2017, and in future years will also reverse the reduction in rental income that results from spreading the cost of the Leisure lease incentive payments, which were paid just before the year end, over the extended term of the relevant leases.

£17.7 million of rent on the Leisure portfolio, receipt of which was deferred from 2020 to 2021, was excluded from revenue on an Adjusted EPRA earnings in the prior year and included instead in the current year, net of a £0.1 million reduction caused by foreign exchange movements on the Euro element of the balance, because although it was recognised in the income statement in 2020 it had not been received in cash. Receipt of a further £1.8 million of cash rent from the Leisure and Budget Hotels portfolios has been deferred from 2021 to 2022.

In calculating Adjusted EPRA earnings, the amounts included in revenue that are recovered from occupational tenants for head rent and service charge costs are reclassified against the equivalent costs in property outgoings. As a result of these adjustments, revenue reconciles between the IFRS basis and Adjusted EPRA earnings basis as follows:

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
IFRS revenue	122.4	121.7
Rent Smoothing Adjustments:		
Relating to contractual uplifts	(7.4)	(8.9)
Relating to temporary Covid-19 rent concessions	(7.4)	(14.8)
Adjustment for Healthcare back rent	(0.4)	(0.4)
	(15.2)	(24.1)
Rent deferrals:		
Leisure portfolio	17.7	(17.7)
Currency translation difference on Leisure rent deferral	(0.1)	-
Other Leisure and Budget Hotels rent deferrals	(1.8)	-
	15.8	(17.7)
Recovery of head rent and service charge costs reclassified to property outgoings	(1.6)	(1.6)
Adjusted EPRA earnings revenue	121.4	78.3

The Group's accounting policy for revenue recognition is disclosed in [note 2d](#).

Notes to the Group Financial Statements continued

5. Property outgoings

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Property outgoings in the income statement	0.6	1.5
Finance element of head rent included in finance costs (note 8)	1.8	1.7
Movement in headlease liabilities included in property revaluations (note 11)	0.1	0.1
Property outgoings	2.5	3.3
Recovery of head rents and service charge costs from occupational tenants, included in revenue (note 4)	(1.6)	(1.6)
Net property outgoings	0.9	1.7
	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Property outgoings net of tenant recoveries		
Head rents net of amounts recovered from occupational tenants	0.6	0.6
Irrecoverable property costs	0.2	0.3
Managing agent costs and other net property outgoings	0.1	0.2
Cost of documenting rent concessions	-	0.6
	0.9	1.7

Amounts shown above include any irrecoverable VAT.

The Group's accounting policy for headleases is disclosed in [note 2d](#).

6. Administrative expenses

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Advisory fees (note 25b)	13.2	13.7
Other administrative expenses	1.5	2.8
Corporate costs	0.5	0.5
	15.2	17.0

Amounts shown above include any irrecoverable VAT.

7. Operating profit

Audit fees, which are included within administrative expenses, relate to:

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Audit of the Company's consolidated and individual financial statements	0.1	0.1
Audit of subsidiaries, pursuant to legislation	0.2	0.2
Total fees	0.3	0.3

Amounts shown above include any irrecoverable VAT. The fees payable to the auditor, excluding VAT, in the year were £0.2 million (2020: £0.3 million), of which £36,500 (2020: £35,000) related to non-audit work comprising the review of the Group's interim financial statements.

The Group had no employees in either the current or prior year. The key management personnel of the Company are the Directors, who are appointed under letters of appointment for services. Directors' remuneration, all of which represents fees for services provided and is included within administrative expenses, was as follows:

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Martin Moore (Chairman)	75	75
Leslie Ferrar (Chairman of Audit Committee)	45	45
Jonathan Lane	40	40
Ian Marcus	40	40
	200	200

Administrative expenses also include £23,000 (2020: £23,000) of National Insurance contributions paid in connection with the Directors' remuneration above.

Mike Brown, Sandy Gumm and Nick Leslau received no Directors' remuneration from the Group in either the current or prior year.

8. Finance income and costs

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Finance income		
Interest on cash deposits	-	0.4
Finance costs		
<i>Cash costs:</i>		
Interest on secured debt	(44.5)	(45.6)
Interest charge on headlease liabilities (note 5)	(1.8)	(1.7)
Cash settlement of interest rate derivatives, transferred from other reserves	(0.8)	(0.3)
Loan agency fees and other lender costs	(0.5)	(0.3)
<i>Non-cash movements:</i>		
Amortisation of loan arrangement costs	(2.3)	(2.3)
Fair value adjustment of interest rate derivatives (note 13)	(0.1)	(0.1)
Total finance costs	(50.0)	(50.3)
Net finance costs recognised in the income statement	(50.0)	(49.9)
Fair value adjustment of interest rate derivatives	0.8	(0.9)
Cash settlement of interest rate derivatives, transferred to the income statement	0.8	0.3
Net finance income/(cost) recognised in other comprehensive (loss)/income (note 13)	1.6	(0.6)

Net finance costs analysed by the categories of financial asset and liability shown in note 17b are as follows:

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Financial assets at amortised cost	-	0.4
Financial liabilities at amortised cost	(49.1)	(50.2)
Derivatives in effective hedges	(0.9)	(0.1)
Net finance costs recognised in the income statement	(50.0)	(49.9)

Notes to the Group Financial Statements continued

8. Finance income and costs continued

The Group's sensitivity to changes in interest rates, on the basis of a ten basis point change in Sterling Overnight Interbank Average Rate ("SONIA"), was as follows:

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Effect on profit/(loss) for the year	0.2	0.2
Effect on other comprehensive (loss)/income and equity	0.1	0.1

The Group receives interest on its cash and cash equivalents so an increase in deposit rates would increase finance income. An increase in SONIA up to the maximum capped rate of 1.65% would increase finance costs relating to the £23.3 million (2020: £23.3 million) of the secured debt that is hedged by interest rate caps. A further £50.0 million (2020: £50.0 million) of the secured debt is hedged with interest rate swaps, and movements in SONIA would only have an impact on the fair value of those interest rate swaps, which would be reflected in other comprehensive income. There would be no effect from a change of SONIA on the remaining £843.5 million (2020: £855.0 million) of the secured debt which is at fixed rates, other than on the fair value of that debt which is disclosed in [note 17b](#). The Group's sensitivity to interest rates has not changed significantly in the year.

The Group's accounting policy for finance costs is disclosed in [note 2e](#).

9. Tax

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Current tax - Germany		
Corporation tax charge	0.4	0.4
Adjustments in respect of prior years	-	(0.1)
Deferred tax - Germany		
Deferred tax credit (note 19)	(3.2)	-
	(2.8)	0.3

The tax assessed for the year varies from the standard rate of corporation tax in the UK applied to the profit/(loss) before tax. The differences are explained below:

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Profit/(loss) before tax	196.8	(113.3)
Tax charge/(credit) at the standard rate of corporation tax in the UK for the financial year of 19% (2020: 19%)	37.4	(21.5)
Effects of:		
Investment property revaluation not (taxable)/allowable	(23.6)	29.9
Qualifying property rental business not taxable under UK REIT rules	(10.3)	(8.9)
Deferred tax credit from revision of assessment	(7.7)	-
Unutilised tax losses carried forward	0.8	0.2
German current tax charge for the year	0.4	0.4
Finance costs disallowed under corporate interest restriction rules	0.2	0.3
Adjustments in respect of prior years	-	(0.1)
Tax (credit)/charge for the year	(2.8)	0.3

The Company and its subsidiaries operate as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT rules exempt the profits of the Group's UK and German property rental business from UK corporation tax. Capital gains on the Group's UK and German properties are also generally exempt from UK corporation tax, provided they are not held for trading.

To remain a UK REIT, a number of conditions must be met in respect of the Company, the Group's qualifying activity and the Group's balance of business. Since entering the UK REIT regime the Group has met all applicable conditions.

The Group is subject to German corporation tax on its German property rental business at an effective rate of 12.5% (2020: 12%), resulting in a tax charge of £0.4 million (2020: £0.4 million). A deferred tax liability of £8.0 million (2020: £11.9 million) 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 in [note 19](#).

The German tax assets have been subject to a routine tax audit by the German tax authorities since January 2021. The maximum tax liability that might arise on the areas that are currently the subject of the enquiry, including interest up to the balance sheet date but excluding any penalties, is estimated at no more than £0.8 million. The Board, having taken advice from the Group's tax advisers including their specialist German tax team, considers that there are strong arguments to counteract those made by the German tax authorities and that the matter should be resolved with an outcome of substantially less tax payable than the potential maximum, if any. No allowance has been made in these financial statements for any liability that might arise. Should any additional tax become payable, it will be recognised in the year in which the German tax authorities conclude their review.

The Group's accounting policy for tax is disclosed in [note 2f](#).

10. Earnings per share

Basic EPS

Earnings per share ("EPS") is calculated as the profit attributable to ordinary shareholders of the Company for each year divided by the weighted average number of ordinary shares in issue throughout the relevant year. Since no incentive fee has been recognised for either the current year or the prior year, there are no shares to be issued and diluted EPS is therefore the same as basic EPS.

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Profit/(loss) for the year	199.6	(113.7)
	Number	Number
Weighted average number of shares in issue	324,035,146	324,035,146
	Pence per share	Pence per share
Basic and Diluted EPS	61.6	(35.1)

Notes to the Group Financial Statements continued

10. Earnings per share continued

EPRA EPS

The European Public Real Estate Association ("EPRA") publishes guidelines for calculating a measure of earnings designed to represent core operational activities. EPRA EPS is calculated in accordance with the EPRA Guidance currently in force.

An Adjusted EPRA earnings calculation has also been presented. This adjusted measure was designed to reflect the fact that, as a Group with unusually long leases and a high proportion of fixed or minimum rental increases to spread over the lease terms, the Company's Dividend Cover would be artificially high if calculated on the basis of EPRA EPS. Adjusted EPRA EPS removes the effect of the Rent Smoothing Adjustments, including the impact of temporary Covid-19 rent concessions, and recognises the cash flow impact of any deferrals of rent. It also excludes any non-recurring costs or income which do not relate to the Group's routine operations, such as costs incurred for share placings, though there have been no such costs since 2016. The adjusted measure also excludes any incentive fees which are paid in shares, as they are considered to be linked to revaluation movements and are therefore best treated consistently with revaluations which are excluded from EPRA EPS, though no incentive fee has been payable since 2019.

EPRA and Adjusted EPRA earnings are calculated as:

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
IFRS profit/(loss) for the year	199.6	(113.7)
<i>EPRA adjustments:</i>		
Investment property revaluation (note 11)	(140.3)	166.5
Deferred tax on German investment property revaluations (note 9)	(3.2)	-
EPRA earnings	56.1	52.9
<i>Other adjustments:</i>		
Rent Smoothing Adjustments (note 4)	(15.2)	(23.7)
Rent deferrals – theme parks	17.6	(17.7)
Rent deferrals – other Leisure and Budget Hotels	(1.8)	-
Adjusted EPRA earnings	56.7	11.5

In calculating Adjusted EPRA EPS, the weighted average number of shares is calculated using the actual date on which any shares are issued during the year so as not to create a mismatch between the basis of calculation of Adjusted EPRA EPS and the dividends per share paid in the year. In this way the Group's measure of Dividend Cover is considered to be more meaningful. The weighted average number of shares applied in calculating Adjusted EPRA EPS has been calculated as follows:

	Year to 31 December 2021 Number	Year to 31 December 2020 Number
Shares in issue throughout the year	324,035,146	322,850,595
Pro rata adjustment for shares issued in March 2020 in settlement of 2019 incentive fee	-	925,633
Adjusted EPRA EPS: weighted average shares in issue	324,035,146	323,776,228

As a result of those adjustments, the EPRA EPS and Adjusted EPRA EPS figures are as follows:

	Pence per share	Pence per share
EPRA EPS	17.3	16.3
Adjusted EPRA EPS	17.5	3.5

11. Investment properties

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Freehold investment properties		
At the start of the year	1,705.8	1,802.4
Leisure lease incentive payments	33.6	-
Revaluation movement	141.7	(102.9)
Currency translation movement	(8.3)	6.3
Disposals	(0.1)	-
At the end of the year	1,872.7	1,705.8
Leasehold investment properties		
At the start of the year	269.8	308.9
Revaluation movement	13.8	(39.6)
Increase in headlease liabilities	2.0	0.6
Revaluation movement in headlease liabilities	(0.1)	(0.1)
At the end of the year	285.5	269.8
Total investment properties		
At the start of the year	1,975.6	2,111.3
Leisure lease incentive payments	33.6	-
Revaluation movement	155.5	(142.5)
Currency translation movement	(8.3)	6.3
Increase in headlease liabilities	2.0	0.6
Revaluation movement in headlease liabilities	(0.1)	(0.1)
Disposals	(0.1)	-
At the end of the year	2,158.2	1,975.6

As at 31 December 2021 the properties were valued at £2,127.6 million (2020: £1,946.9 million) by CBRE Limited or Christie & Co in their capacity as independent external valuers. Of the total fair value, £134.7 million (2020: £115.3 million) relates to the Group's German investment properties, the valuations of which are translated into Sterling at the year end exchange rate.

The valuations were prepared on a fixed fee basis, independent of the portfolio value, and were undertaken in accordance with RICS Valuation – Global Standards 2020 on the basis of fair value, supported by reference to market evidence of transaction prices for similar properties where available.

The Royal Institution of Chartered Surveyors mandated that valuations in certain sectors should be subject to "material valuation uncertainty" as at 31 December 2020. This applied to the Group's Leisure and Budget Hotels portfolios, which accounted for 61% of the Group's property assets by value at that date. The 31 December 2020 valuations of the Healthcare assets, (39% of the Group's property assets by value), did not carry such a proviso. None of the 31 December 2021 valuations in any sector were subject to material valuation uncertainty.

During the year, the Group agreed to pay £33.5 million (2020: £nil) to certain Leisure tenants as an incentive to enter into lease extensions, £3.0 million (2020: £nil) of which remained outstanding at the balance sheet date and is included in accruals and other payables (note 16). Along with capitalised costs of the transaction totalling £0.1 million (2020: £nil), £33.6 million (2020: £nil) was added to the carrying value of the relevant investment properties as a result.

The historic cost of the Group's investment properties as at 31 December 2021 was £1,516.8 million (2020: £1,479.6 million).

All of the investment properties are held within six (2020: six) ring-fenced security pools as security under fixed charges in respect of separate secured debt facilities.

Notes to the Group Financial Statements continued

11. Investment properties continued

Under the Group's accounting policy, in line with IFRS, the carrying value of leasehold properties is grossed up by the present value of minimum headlease payments. The corresponding liability to the head leaseholder is included in the balance sheet as a finance lease obligation. The reconciliation between the carrying value of the investment properties and their independent external valuation is as follows:

	31 December 2021 £m	31 December 2020 £m
Carrying value	2,158.2	1,975.6
Gross-up of headlease liabilities (note 18)	(30.6)	(28.7)
Independent external valuation	2,127.6	1,946.9

Included within the carrying value of investment properties at 31 December 2021 is £191.1 million (2020: £181.4 million) in respect of Rent Smoothing Adjustments (described in [note 4](#) and in the Unaudited Supplementary Information following these financial statements), representing the amount of the net mismatch between rent included in the income statement and cash rents actually receivable. This net receivable increases over broadly the first half of each lease term, in the case of fixed or minimum uplifts, or the period of the temporary rent reductions agreed with tenants in light of Covid-19. The balance then unwinds, reducing to zero by the end of the lease term. The difference between rents on a straight line basis and rents actually receivable is included within, but does not increase over fair value, the carrying value of investment properties. Also included is the impact of back rent received during a prior year from a rent review on the Healthcare portfolio, which is being recognised in revenue over the remaining lease term despite the cash having been received in 2018, together with movements on the headlease liabilities.

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Revaluation movement	155.5	(142.5)
Rent Smoothing Adjustments (note 4)	(15.2)	(24.1)
Movement in headlease liabilities (note 5)	(0.1)	(0.1)
Revaluation movement in the income statement	140.2	(166.7)

All of the Group's revenue reflected in the income statement is derived either from rental income or the recovery of head rent and other costs on investment properties. As shown in [note 5](#), property outgoing costs arising on investment properties, all of which generated rental income in each year, were £2.5 million (2020: £3.3 million), of which £0.9 million (2020: £1.7 million) was not recoverable from occupational tenants.

Other than the future minimum headlease payments disclosed in [note 18](#), the majority of which are recoverable from tenants, the Group did not have any contractual investment property obligations at either balance sheet date. All responsibility for property liabilities including repairs and maintenance resides directly with the tenants, except at Manchester Arena where such costs relating to the structure and common areas are liabilities of the Group in the first instance. However, since the majority of these costs are currently recoverable from tenants the net cost to the Group in the year was £0.3 million (2020: £0.3 million). In addition, the car park at Manchester Arena is run under an operating agreement which means the Group is responsible for the costs of running the car park to the extent that they are not covered by the revenue it generates. The net contribution from the car park in 2021 was £0.2 million (2020: net cost of £0.1 million, as the car park was largely closed as a result of Covid related restrictions).

The Board determines the Group's valuation policies and procedures and is responsible for overseeing the valuations. Valuations performed by the Group's independent external valuers are based on information extracted from the Group's financial and property reporting systems, such as current rents and the terms and conditions of lease agreements, together with assumptions used by the valuers (based on market observation and their professional judgement) in their valuation models. The Audit Committee assesses the valuation process, including meetings with the independent external valuers and evaluating their expertise and independence, and reports the results of these assessments to the Board.

At each reporting date, certain directors of the Investment Adviser, who have recognised professional qualifications and are experienced in valuing the types of property owned by the Group, initially analyse the independent external valuers' assessments of movements in the property valuations from the prior reporting date or, if later, the date of acquisition. Positive or negative fair value changes over a certain materiality threshold are considered and are also compared to external sources, such as the MSCI indices and other relevant benchmarks, for reasonableness. Once the Investment Adviser has considered the valuations, the results are discussed with the independent external valuers, focusing on properties with unexpected fair value changes or any with unusual characteristics. The Audit Committee assesses the valuation process, including meetings with the independent external valuers and evaluating their expertise and independence, and reports the results of these assessments to the Board.

The fair value of the investment property portfolio has been determined using an income capitalisation technique whereby contracted and market rental values are capitalised with a market capitalisation rate. This technique is consistent with the principles in IFRS 13 and uses significant unobservable inputs, such that the fair value measurement of each property within the portfolio has been classified as level 3 in the fair value hierarchy as defined in IFRS 13. There have been no transfers to or from other levels of the fair value hierarchy during the year.

The key inputs for the level 3 valuations were as follows:

Portfolio	Fair value £m	Key unobservable input	Inputs	
			Range	Blended yield
At 31 December 2021:				
Leisure – UK	794.6	Net Initial Yield	4.3% – 7.0%	5.0%
		Running Yield in 12 months	4.3% – 7.0%	5.2%
Healthcare	790.4	Net Initial Yield	3.9% – 4.5%	4.5%
		Running Yield in 12 months	4.0% – 4.6%	4.6%
Budget Hotels	438.5	Net Initial Yield	5.5% – 16.0%	6.8%
		Running Yield in 12 months	5.8% – 16.0%	7.3%
Leisure – Germany	134.7	Net Initial Yield	4.8%	4.8%
		Running Yield in 12 months	4.9%	4.9%
	2,158.2			
At 31 December 2020:				
Leisure – UK	687.7	Net Initial Yield	4.8% – 7.3%	5.5%
		Running Yield by January 2022	4.8% – 7.4%	5.7%
Healthcare	769.1	Net Initial Yield	3.9% – 4.5%	4.5%
		Running Yield by January 2022	4.0% – 4.6%	4.6%
Budget Hotels	403.5	Topped Up Net Initial Yield	5.3% – 13.9%	7.1%
		Running Yield by January 2022	5.8% – 15.5%	7.2%
Leisure – Germany	115.3	Net Initial Yield	5.8%	5.8%
		Running Yield by January 2022	5.9%	5.9%
	1,975.6			

As described in [note 2b](#), the Group's investment property valuations are subject to estimation uncertainty. Decreases in Net Initial Yield and increases in inflation expectations will increase the fair value and vice versa. The sensitivities of the Group's investment property valuations to variations in the significant unobservable outputs for Net Initial Yield is as follows:

(Decrease)/increase in fair value	31 December 2021 £m	31 December 2020 £m
Net Initial Yield + 0.25%	(99.2)	(85.8)
Net Initial Yield – 0.25%	109.3	94.1

The Group's accounting policy for investment properties is disclosed in [note 2d](#).

Notes to the Group Financial Statements continued

12. Subsidiaries

The companies listed below are the subsidiary undertakings of the Company at 31 December 2021, all of which are wholly owned. Save where indicated, all subsidiary undertakings are incorporated in England with their registered office at Cavendish House, 18 Cavendish Square, London W1G 0PJ.

	Nature of business
SIR Theme Park Subholdco Limited ¹	Intermediate parent company and borrower under mezzanine secured debt facility
Charcoal Midco 2 Limited	Intermediate parent company
SIR Theme Parks Limited	Intermediate parent company and borrower under senior secured debt facility
SIR ATH Limited	Property investment – leisure
SIR ATP Limited	Property investment – leisure
SIR HP Limited	Property investment – leisure and borrower under senior secured debt facility (incorporated in England, operating in Germany)
SIR TP Limited	Property investment – leisure
SIR WC Limited	Property investment – leisure
SIR Hospital Holdings Limited ¹	Intermediate parent company
SIR Umbrella Limited	Intermediate parent company
SIR Hospitals Propco Limited	Intermediate parent company and borrower under secured debt facility
SIR Duchy Limited	Property investment – healthcare
SIR Springfield Limited	Property investment – healthcare
SIR Healthcare 1 Limited	Intermediate parent company
SIR Healthcare 2 Limited	Intermediate parent company and borrower under secured debt facility
SIR Fitzwilliam Limited	Property investment – healthcare
SIR Fulwood Limited	Property investment – healthcare
SIR Lisson Limited	Property investment – healthcare
SIR Midlands Limited	Property investment – healthcare
SIR Oaklands Limited	Property investment – healthcare
SIR Oaks Limited	Property investment – healthcare
SIR Pinehill Limited	Property investment – healthcare
SIR Rivers Limited	Property investment – healthcare
SIR Woodland Limited	Property investment – healthcare
SIR Yorkshire Limited	Property investment – healthcare
Thomas Rivers Limited	Property investment – healthcare
SIR Hotels 1 Limited ¹	Intermediate parent company
SIR Hotels Jersey Limited ²	Intermediate parent company
SIR Unitholder 1 Limited ²	Intermediate parent company
SIR Unitholder 2 Limited ²	Intermediate parent company
Grove Property Unit Trust 6 ²	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 7 ²	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 9 ²	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 11 ²	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 12 ²	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 16 ²	Property investment – budget hotels and borrower under secured debt facility
SIR Hotels 2 Limited ¹	Intermediate parent company
SIR Hotels Jersey 2 Limited ²	Intermediate parent company
SIR Unitholder 3 Limited ²	Intermediate parent company
SIR Unitholder 4 Limited ²	Intermediate parent company
Grove Property Unit Trust 2 ²	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 5 ²	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 13 ²	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 14 ²	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 15 ²	Property investment – budget hotels and borrower under secured debt facility
SIR Maple 4 Limited	Property investment – budget hotels and borrower under secured debt facility

1 directly owned by the Company; all other entities are indirectly owned

2 incorporated in Jersey with their registered office at 26 New Street, St Helier, Jersey JE2 3RA

Nature of business

SIR Maple Holdco Limited ¹	Intermediate parent company
SIR Maple 1 Limited ²	Intermediate parent company
SIR Unitholder 5 Limited ²	Intermediate parent company
MIF 1 Unit Trust ³	Property investment – leisure and borrower under secured debt facility
SIR Maple 2 Limited	Property investment – leisure and borrower under secured debt facility
SIR Maple 3 Limited	Property investment – leisure and borrower under secured debt facility
SIR New Hall Limited ¹	Dormant
SIR MTL Limited ¹	Dormant
Charcoal Bidco Limited ¹	Dormant
SIR Hotels 2 Holdco Limited ²	Dormant
SIR Hotels 2 GP Limited ²	Dormant
SIR Hotels 2 Nominee Limited ²	Dormant
SIR Hotels 2 LP ²	Dormant
SIR Newco Limited ¹	Dormant
SIR Newco 2 Limited ¹	Dormant

1 directly owned by the Company; all other entities are indirectly owned

2 incorporated in Jersey with the registered office at 26 New Street, St Helier, Jersey JE2 3RA

3 incorporated in Jersey with the registered office at 44 Esplanade, St Helier, Jersey JE4 9WG

The terms of the secured debt facilities may, in the event of a covenant breach, restrict the ability of certain subsidiaries to transfer distributable reserves or assets including cash to the Company, which is itself outside all security groups.

The subsidiary undertakings below are taking advantage of the exemption from audit under section 479a of the Companies Act 2006, and as a result Secure Income REIT Plc will provide a statutory guarantee for any outstanding liabilities of these undertakings as at 31 December 2021, all of which have been included in these consolidated financial statements:

	Registered number
SIR Hospital Holdings Limited	05863307
SIR Healthcare 1 Limited	09736611
SIR Umbrella Limited	09736612
SIR Hotels 1 Limited	10236666
SIR Hotels 2 Limited	11206064

Notes to the Group Financial Statements continued

13. Interest rate derivatives

	31 December 2021 £m	31 December 2020 £m
Notional amounts		
Interest rate swaps (weighted average rate 1.3%) in effective hedges	50.0	50.0
Interest rate caps (weighted average rate 1.5%):		
In effective hedges	23.3	23.3
Classified as held at fair value through profit and loss	3.2	3.2
	76.5	76.5
Fair value		
Interest rate swaps:		
Falling due within one year	(0.2)	(0.6)
Falling due in more than one year	(0.1)	(1.1)
	(0.3)	(1.7)
Interest rate caps:		
Falling due in more than one year	0.1	-
	(0.2)	(1.7)
Movement in fair value		
	Year to 31 December 2021 £m	Year to 31 December 2020 £m
At the start of the year	(1.7)	(1.0)
Charge to the income statement (note 8)	(0.1)	(0.1)
Credit/(charge) to other comprehensive income (note 8)	1.6	(0.6)
At the end of the year	(0.2)	(1.7)

The Group utilises interest rate derivatives in risk management as cash flow hedges to protect against movements in future interest costs on secured loans which bear interest at variable rates. The derivatives have been valued in accordance with IFRS 13 by reference to interbank bid market rates as at the close of business on the last working day prior to each balance sheet date by Chatham Financial Europe Limited. The fair values are calculated using present values of future cash flows based on market forecasts of interest rates and adjusted for any counterparty credit risk that is assessed as material. The amounts and timing of future cash flows are projected on the basis of the contractual terms of the derivatives. All interest rate derivatives are classified as level 2 in the fair value hierarchy as defined in IFRS 13 and there were no transfers to or from other levels of the fair value hierarchy during the year.

The entire £50.0 million notional amount of the interest rate swaps and £10.0 million of the notional amount of the interest rate caps are used to hedge cash flow interest rate risk on £60.0 million of the floating rate loans shown in [note 17a](#). The notional amounts of the interest rate derivatives equal the loan principal balance, and their maturity dates also match. £3.3 million of the notional amount of the interest rate caps was not designated for hedge accounting to allow for any future loan prepayments and as a result, although the entire cash flow interest rate is hedged, the hedges as measured for the purposes of IFRS 9 were expected on inception to be 94.5% effective throughout their lives.

The remaining £16.5 million notional amount of the interest rate caps is used to hedge cash flow interest rate risk on the remaining £13.3 million (2020: £13.3 million) of the floating rate loans shown in [note 17a](#). Following rebalancing of the hedging arrangements on £3.2 million (2020: £3.2 million) of the notional amount of the interest rate caps in prior years, matching the loan principal that has been repaid from the proceeds of investment property sales, the notional amounts of the interest rate caps designated for hedge accounting equal the loan principal balance and their maturity dates also match. As a result, the interest rate cap hedges, which have a fair value of £26,000 (2020: £6,000), are expected to be 100% effective throughout their terms. The remaining interest rate caps, which have a fair value of £7,000 (2020: £1,000), have been classified as held at fair value through profit and loss.

The floating rate loans and interest rate derivatives were previously contractually linked to LIBOR, a market rate which became unavailable from the end of 2021. The Investment Adviser worked with the Group's lenders and derivative counterparties to transition to an alternative benchmark rate, Sterling Overnight Index Average, during the year and the transition did not have a material impact on the results or financial position of the Group. There was no change to the effectiveness of the Group's hedges.

The Group's accounting policy for interest rate derivatives is disclosed in [note 2e](#).

14. Cash and cash equivalents

	31 December 2021 £m	31 December 2020 £m
Free cash and cash equivalents	168.5	196.6
Secured cash	29.9	23.1
	198.4	219.7

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

The Group's accounting policy for cash and cash equivalents is disclosed in [note 2e](#).

15. Trade and other receivables

	31 December 2021 £m	31 December 2020 £m
Trade receivables	0.2	0.6
Accrued income	1.7	18.4
Prepayments	0.7	0.6
Other receivables	0.2	0.4
	2.8	20.0

Having been reviewed for expected credit losses, an impairment of £22,500 (2020: £nil) was considered necessary for trade receivables and accrued income at either balance sheet date.

16. Trade and other payables

	31 December 2021 £m	31 December 2020 £m
Trade payables	0.3	1.0
Rent received in advance and other deferred income	24.6	19.6
Interest payable	7.9	8.0
Accruals and other payables	5.3	2.0
Tax and social security	3.2	2.3
	41.3	32.9

Notes to the Group Financial Statements continued

17. Financial assets and liabilities

a) Borrowings

	31 December 2021 £m	31 December 2020 £m
Amounts falling due within one year		
Fixed rate secured debt	375.9	7.3
Unamortised finance costs	(2.1)	(2.3)
	373.8	5.0
Amounts falling due in more than one year		
Fixed rate secured debt	467.6	847.7
Floating rate secured debt	73.3	73.3
Unamortised finance costs	(2.3)	(4.4)
	538.6	916.6

The Group had no undrawn, committed borrowing facilities at either balance sheet date.

The debt is secured by charges, within six ring-fenced security groups, over the Group's investment properties and by fixed and floating charges over the other assets of certain Group companies, not including the Company itself save for a limited share charge over the parent company of one of the ring-fenced subgroups.

During the year and the prior year, certain financial covenants were amended or waived to accommodate the temporary Covid-19 rent concessions on the Leisure and Budget Hotels portfolios described in the Strategic Report on [page 10](#). All covenant amendments and waivers had expired by the balance sheet date. There were no defaults or breaches of any loan covenants during the current or any prior year.

As described in [note 26](#), since the balance sheet date £372.4 million of the fixed rate secured debt falling due within one year has been refinanced with loan maturing in March 2026. The remainder of the balance falling due within one year represents the scheduled amortisation on other loans.

The analysis of borrowings by currency is as follows:

	31 December 2021 £m	31 December 2020 £m
Sterling denominated		
Secured debt	857.3	863.9
Unamortised finance costs	(4.3)	(6.4)
	853.0	857.5
Euro denominated		
Secured debt	59.5	64.4
Unamortised finance costs	(0.1)	(0.3)
	59.4	64.1

The Group's accounting policy for borrowings is disclosed in [note 2e](#).

b) Categories of financial instruments

	31 December 2021 £m	31 December 2020 £m
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents (note 14)	198.4	219.7
Headlease deposits	2.8	2.8
Accrued income (note 15)	1.7	18.4
Trade receivables (note 15)	0.2	0.6
Other receivables	-	0.2
Derivatives in effective hedges:		
Interest rate caps (note 13)	0.1	-
	203.2	241.7
Financial liabilities		
Financial liabilities at amortised cost:		
Secured debt	(912.4)	(921.6)
Headlease liabilities (note 18)	(30.6)	(28.7)
Interest payable (note 16)	(7.9)	(8.0)
Accruals and other payables (note 16)	(5.3)	(2.0)
Trade payables (note 16)	(0.3)	(0.9)
Derivatives in effective hedges:		
Interest rate swaps (note 13)	(0.3)	(1.7)
	(956.8)	(962.9)

At each balance sheet date, all financial assets and liabilities other than derivatives in effective hedges and derivatives classified as held at fair value through profit and loss were measured at amortised cost.

As at 31 December 2021 the fair value of the Group's secured debt was £928.1 million (2020: £969.2 million) and the fair value of the other financial liabilities was equal to their book value. Fair value is not the same as a liquidation valuation, the amount required to prepay the loans at the balance sheet date, and therefore does not represent an estimate of the cost to the Group of prepaying the debt before the scheduled maturity date, which would be materially higher.

The secured debt was valued in accordance with IFRS 13 by reference to interbank bid market rates as at the close of business on the balance sheet date by Chatham Financial Europe Limited. All secured debt was classified as level 2 in the fair value hierarchy as defined in IFRS 13 and its fair value was calculated using the present values of future cash flows, based on market benchmark rates (interest rate swaps) and the estimated credit risk of the Group for similar financings. There were no transfers to or from other levels of the fair value hierarchy during the current or prior year.

The Group's accounting policy for material financial assets and liabilities is disclosed in [note 2e](#).

Notes to the Group Financial Statements continued

17. Financial assets and liabilities continued

c) Financial risk management

Through the Group's operations and use of debt financing it is exposed to certain risks. The Group's financial risk management objective is to manage the effect of these risks, for example by using fixed rate debt and interest rate derivatives to manage exposure to fluctuations in interest rates.

The exposure to each financial risk considered potentially material to the Group, how it would arise and the policy for managing it is summarised below.

Market risk

Market risk in financial assets and liabilities is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from open positions in interest bearing assets, liabilities and foreign currencies, to the extent that these are exposed to general and specific market movements.

(a) Market risk – interest rate risk

The Group's interest bearing financial assets comprise only cash and cash equivalents. Changes in market interest rates therefore affect the Group's finance income. The Group's interest bearing financial liabilities comprise only secured debt. Changes in market interest rates therefore affect the Group's finance costs.

The Group's policy is to mitigate interest rate risk on its financial liabilities by entering into interest rate derivatives, which at the balance sheet date included interest rate swaps on £50.0 million (2020: £50.0 million) of floating rate debt and interest rate caps on the remaining £23.3 million (2020: £23.3 million) of floating rate debt. Under the interest rate swaps, the Group agrees to exchange with an institutional counterparty, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed schedule of notional principal amounts. The Group's fixed rate debt and debt where the interest rate risk is hedged by way of interest rate swaps, together totalling £893.5 million (2020: £905.0 million), are therefore not subject to interest rate risk. Under the interest rate caps, the Group agrees a similar exchange if the variable interest rate exceeds the contractual strike rate of the derivative. The Group is therefore exposed to limited cash flow interest rate risk on the £23.3 million (2020: £23.3 million) of floating rate debt where this risk is hedged by way of interest rate caps. Interest on those loans is payable at variable rates up to the maximum established by the cap strike rate, which averaged 1.5% (2020: 1.5%) in the year.

The Group's sensitivity to changes in interest rates is disclosed in [note 8](#).

Trade and other payables are interest free as long as they are paid in accordance with their terms, and have payment terms of less than one year, so there is considered to be no material interest rate risk associated with these financial liabilities.

(b) Market risk – foreign currency exchange risk

The Group prepares its financial statements in Sterling. On an IFRS basis, 4.9% (2020: 3.5%) 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 5.0% (2020: 3.9%). 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:

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Investment property revaluation net of deferred tax	2.2	(0.1)
Other income statement movements	0.2	0.2
Increase in profit/(loss) for the year	2.4	0.1
Increase in other comprehensive income and equity	3.9	4.1

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations. The principal counterparties at each balance sheet date are the Group's tenants (in respect of trade receivables and accrued income arising under operating leases), banks and financial institutions (as holders of the Group's cash deposits and hedging counterparties).

The credit risk of trade receivables is considered low because the counterparties to the operating leases are believed by the Board to be capable of discharging their lease obligations and any lease guarantors are also of appropriate financial strength. On the 72% of the portfolio (at 31 December 2021 valuations) that has been owned by Group entities since 2007, over the last 14 years the rent has always been paid by the due date. Rent collection statistics are benchmarked in internal reports to identify any problems at any early stage, and if necessary and where possible (in the absence, for example, of a Government imposed moratorium on the enforcement of rent collection) rigorous credit control procedures are applied to facilitate the recovery of trade receivables.

As at 31 December 2021, the Group held financial assets with a carrying value of £22,500 (2020: £0.4 million) which were past due, all of which were trade receivables and had been impaired by £22,500. The Group did not hold any financial assets that were impaired at the prior year balance sheet date.

The credit risk on cash deposits is considered to be limited because the counterparties are banks and financial institutions with credit ratings which are acceptable to the Board and which are kept under review at least each quarter and more often if required.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and its ability to meet its liabilities as they fall due, principally the finance costs and principal repayments on its secured debt.

The Board seeks to manage liquidity risk by ensuring that sufficient cash is available to meet the Group's foreseeable needs. Financing costs and scheduled amortisation have been met during the year, with only limited exceptions during a rent concession period for one tenant, out of rental income which, in all cases, provides headroom over the relevant amounts payable. Before entering into any financing arrangements, the Board assesses the resources that are expected to be available to the Group to meet its liabilities when they fall due, including repayments at loan maturity. These assessments are made on the basis of both base case and stress tested scenarios.

Other liquidity needs are relatively modest and are managed principally through the deduction of much of the direct operating costs from rental receipts before any surplus is applied in payment of interest and loan amortisation as permitted by the facility agreements relating to the Group's secured debt.

Performance against budgets and working capital forecasts are reviewed by the Board at least quarterly to assess liquidity requirements and compliance with loan covenants. The Board keeps under review the maturity profile of the Group's cash deposits, in order to have reasonable assurance that cash will be available for the settlement of liabilities or to deploy in investment opportunities when they fall due.

The following maturity analysis has been drawn up based on the undiscounted cash flows of financial liabilities, including future interest payments, with reference to the earliest date on which the Group can be required to pay. During the year, 74% (2020: 73%) of the Group's headlease liabilities were recoverable from tenants and are not included in this analysis to the extent that they are recoverable.

Notes to the Group Financial Statements continued

17. Financial assets and liabilities continued

	Effective interest rate	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
31 December 2021						
Financial assets						
Cash and cash equivalents	0.02%	198.4	-	-	-	198.4
Headlease deposits		-	-	-	2.8	2.8
Accrued income		1.7	-	-	-	1.7
Trade and other receivables		0.2	-	-	-	0.2
Interest rate derivatives		-	0.1	-	-	0.1
		200.3	0.1	-	2.8	203.2
Financial liabilities						
Fixed rate secured debt	5.1%	(418.8)	(135.2)	(387.2)	-	(941.2)
Floating rate secured debt	2.0%	(2.1)	(74.7)	-	-	(76.8)
Headlease liabilities		(0.5)	(0.5)	(1.6)	(7.4)	(10.0)
Accrued interest		(7.9)	-	-	-	(7.9)
Trade payables and accruals and other payables		(5.3)	-	-	-	(5.3)
Interest rate derivatives	1.3%	(0.2)	(0.1)	-	-	(0.3)
		(434.8)	(210.5)	(388.8)	(7.4)	(1,041.5)
31 December 2020						
Financial assets						
Cash and cash equivalents	0.2%	219.7	-	-	-	219.7
Accrued income		18.4	-	-	-	18.4
Headlease deposits		-	-	-	2.7	2.7
Trade and other receivables		0.8	-	-	-	0.8
		238.9	-	-	2.7	241.6
Financial liabilities						
Fixed rate secured debt	5.1%	(50.8)	(425.3)	(524.3)	-	(1,000.4)
Floating rate secured debt	2.4%	(1.7)	(1.7)	(74.5)	-	(77.9)
Headlease liabilities		(0.5)	(0.5)	(1.6)	(7.3)	(9.9)
Accrued interest		(8.0)	-	-	-	(8.0)
Trade payables and accruals and other payables		(3.0)	-	-	-	(3.0)
Interest rate derivatives	1.3%	(0.6)	(0.7)	(0.4)	-	(1.7)
		(64.6)	(428.2)	(600.8)	(7.3)	(1,100.9)

Inflation risk

Inflation risk arises from the impact of inflation on the Group's income and expenditure. 58% (2020: 58%) of the Group's contractual passing rent before concessions at 31 December 2021 is subject to inflation-linked rent reviews, though those rents are subject to nil or upwards review, never downwards. 41% (2020: 41%) of contractual passing rent before concessions is subject to fixed rental uplifts and is not exposed to fluctuations in the inflation rate, with 1% (2020: 1%) subject to upwards only open market rent reviews. As a result, the Group is not exposed to any fall in rent in deflationary conditions. Given the high proportion of inflation-linked rental income, inflationary conditions present an opportunity in terms of increasing revenues.

In November 2020, the UK Government and UK Statistics Authority announced changes to RPI such that it will align with the Consumer Prices Index ("CPIH") from February 2030. The exact impact on the RPI clauses in the Group's leases will depend on precisely how the UK Statistics Agency implements the change. On a downside basis, if rents were to follow CPIH which has been on average 0.9 percentage points lower than RPI over the past ten years and assuming a differential continues, the rent uplifts from 2030 onwards would be lower than they would otherwise have been. However, the Group's lease provisions may provide protection so that there would be no change in some or all cases. In the event that rental uplifts do change from 2030, any valuation impact in such circumstances would be expected to be insignificant as the market tends not to differentiate materially between RPI and CPIH lease structures, with the other property characteristics carrying greater weight in establishing pricing. During the year, 25% of Group rents moved from RPI to CPI-linked reviews, reducing exposure to this change.

The Group is exposed to inflation risk on its running costs, which (with the exception of any advisory and incentive fees, the calculation of which is based on EPRA NAV as described in [note 25b](#)) could increase in inflationary conditions. These costs totalled £2.0 million (2020: £3.3 million) in the current year (13% (2020: 20%) of total administrative expenses), and therefore the impact of any significant increase in inflation on the financial results or position of the Group would be relatively limited.

d) Capital risk management in respect of the financial year

The Board's primary risk management objective when monitoring capital is to preserve the Group's ability to continue as a going concern, while ensuring it remains within its secured debt covenants to safeguard shareholders' equity and avoid financial penalties. Borrowings are secured on each of six (2020: six) property portfolios by way of fixed charges over property assets, over the shares in the parent company of each ring-fenced borrower subgroup, and also by floating charges on the assets of the relevant subsidiary companies within each distinct subgroup. The suitability of the extent of asset cover in the secured facilities forms a key part of debt negotiations and ongoing monitoring.

At 31 December 2021 and 31 December 2020, the capital structure of the Group consisted of secured debt ([note 17a](#)), cash and cash equivalents ([note 14](#)), and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves described in [notes 20 and 21](#)).

In managing the Group's capital structure, the Board considers the Group's cost of capital. In order to maintain or adjust the capital structure, the Board keeps under review the amount of any dividends or other returns to shareholders and monitors the extent to which the issue of new shares, repurchases of share capital or the realisation of assets may be advisable or required.

Details of significant accounting policies are disclosed in the accounting policies in [note 2](#). This includes the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument.

Notes to the Group Financial Statements continued

18. Headlease liabilities

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

	31 December 2021 £m	31 December 2020 £m
Minimum headlease payments		
Within one year	2.0	1.8
Between one and five years	7.8	7.3
More than five years	164.6	158.0
	174.4	167.1
Less future finance charges	(143.8)	(138.4)
	30.6	28.7

The earliest expiry date of all the headlease obligations is in more than five years. All but £0.5 million (2020: £0.5 million) of the minimum headlease payments due within one year are recoverable from occupational tenants.

The Group's accounting policy for headleases is disclosed in [note 2d](#).

19. Deferred tax liability

The deferred tax liability relates entirely to unrealised gains on the Group's German investment properties.

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
At the start of the year	11.9	11.3
Deferred tax charge from investment property revaluation, net of tax depreciation	4.5	-
Deferred tax credit from revision of assessment	(7.7)	-
Net credit to the income statement (note 9)	(3.2)	-
(Credit)/charge to other comprehensive income	(0.7)	0.6
At the end of the year	8.0	11.9

The Group has tax losses of £95.8 million (2020: £93.7 million) available for offset against future profits of the residual business. £12.1 million (2020: £10.6 million) of these tax losses relate to the Company. A deferred tax asset has not been recognised in respect of any of these losses due to the uncertainty of realising future taxable profits in the residual business.

The Group's accounting policy for deferred tax is disclosed in [note 2f](#).

20. Share capital

Share capital represents the aggregate nominal value of fully paid ordinary shares of 10 pence each in issue.

	Year to 31 December 2021 Number	Year to 31 December 2020 Number
At the start of the year	324,035,146	322,850,595
Issue of ordinary shares in settlement of 2019 incentive fee	-	1,184,551
At the end of the year	324,035,146	324,035,146

21. Reserves

The share premium reserve represents the surplus of the gross proceeds of share issues over the nominal value of the shares, net of the direct costs of those equity issues.

Retained earnings represent the cumulative profits and losses recognised in the income statement, together with any amounts transferred or reclassified from the Group's share premium reserve and other reserves, less dividends paid.

Other reserves represent:

- the cumulative exchange gains and losses on translation of foreign earnings and net assets;
- the cumulative gains or losses on effective cash flow hedging instruments; and
- the impact on equity of any shares to be issued after the balance sheet date, as described in [note 25d](#), under the terms of the incentive fee arrangements.

Movements in other reserves comprise:

	Currency translation differences £m	Cash flow hedging instruments £m	Shares to be issued £m	Total £m
Year to 31 December 2021				
At the start of the year	5.4	(1.7)	-	3.7
Currency translation movements	(3.6)	-	-	(3.6)
Fair value of derivatives (note 13)	-	1.6	-	1.6
Other comprehensive (loss)/income	(3.6)	1.6	-	(2.0)
At the end of the year	1.8	(0.1)	-	1.7
Year to 31 December 2020				
At the start of the year	3.3	(1.1)	4.9	7.1
Currency translation movements	2.1	-	-	2.1
Fair value of derivatives (note 13)	-	(0.6)	-	(0.6)
Other comprehensive income/(loss)	2.1	(0.6)	-	1.5
Shares issued in the year	-	-	(4.9)	(4.9)
At the end of the year	5.4	(1.7)	-	3.7

Notes to the Group Financial Statements continued

22. Operating leases

The majority of the Group's assets are investment properties leased to third parties under non-cancellable operating leases. The weighted average remaining lease term at 31 December 2021 is 30.0 years (2020: 20.2 years), the increase reflecting a number of lease extensions in the Leisure portfolio during the year, and there are no tenant break options. The leases contain either fixed or minimum uplifts, or upwards only inflation-linked uplifts, alongside periodic upwards only open market reviews and variable income on 1% (2020: 1%) of the Group's contractual passing rent.

RPI-linked uplifts on 35% (2020: 37%) of the Group's passing rent as at 31 December 2021 resulted in the settlement of £0.8 million (2020: £0.9 million) of contingent rental income that was recognised in the income statement in the year.

Future minimum rents receivable are as follows:

	31 December 2021 £m	31 December 2020 £m
Within one year	117.6	104.9
Between one and two years	118.8	115.5
Between two and three years	120.7	116.9
Between three and four years	121.1	118.5
Between four and five years	122.7	118.5
More than five years	4,407.2	2,045.2
	5,008.1	2,619.5

The Group's accounting policy for operating leases is disclosed in [note 2d](#).

23. Net asset value per share

Net asset value ("NAV") per share is calculated as the net assets of the Group attributable to shareholders divided by the number of shares in issue at the end of each year.

EPRA, the European Public Real Estate Association, publishes guidelines for the calculation of three measures of NAV to enable consistent comparisons of different property companies. The Group uses EPRA Net Tangible Assets ("EPRA NTA") as the most meaningful measure of long term performance, which is the measure adopted by the majority of UK REITs establishing it as the industry standard benchmark. It excludes items that are considered to have no impact in the long term, such as movements in the fair value of derivatives and a portion of the deferred tax on investment properties held for long term benefit.

	31 December 2021		31 December 2020	
	£m	Pence per share	£m	Pence per share
Basic NAV and EPRA NTA				
Basic and diluted NAV	1,369.8	422.7	1,221.5	377.0
<i>EPRA adjustments:</i>				
Adjustment for deferred tax on German investment property revaluations*	4.0	1.3	6.0	1.8
Fair value of interest rate derivatives	0.3	0.1	1.7	0.5
EPRA NTA	1,374.1	424.1	1,229.2	379.3

* in accordance with the EPRA Guidance, half of the deferred tax is adjusted for in the EPRA NTA calculation

24. Reconciliation of changes in financial liabilities arising from financing activities

	Secured debt due within one year (note 17a) £m	Secured debt due in more than one year (note 17a) £m	Headlease liabilities (note 18) £m	Interest payable (note 16) £m	Derivatives (note 13) £m	Total £m
Year to 31 December 2021						
At the start of the year	5.0	916.6	28.7	8.0	1.7	960.0
<i>Cash flows:</i>						
Interest and finance costs paid	-	-	(1.8)	(45.3)	(0.6)	(47.7)
Scheduled repayment of secured debt	(7.3)	-	-	-	-	(7.3)
<i>Non-cash movements:</i>						
Finance costs in the income statement	2.3	-	1.8	45.1	0.8	50.0
Finance costs in other comprehensive income	-	-	-	-	(1.6)	(1.6)
Increase in headlease liabilities	-	-	2.0	-	-	2.0
Revaluation movement in headlease liabilities	-	-	(0.1)	-	-	(0.1)
Currency translation movements	-	(4.2)	-	-	-	(4.2)
Reclassifications	373.8	(373.8)	-	0.1	(0.1)	-
At the end of the year	373.8	538.6	30.6	7.9	0.2	951.1
Year to 31 December 2020						
At the start of the year	2.1	919.5	28.2	8.0	1.0	958.8
<i>Cash flows:</i>						
Interest and finance costs paid	-	-	(1.7)	(45.8)	(0.4)	(47.9)
Scheduled repayment of secured debt	(4.4)	-	-	-	-	(4.4)
Repayment of secured debt from property sales	-	(1.5)	-	-	-	(1.5)
<i>Non-cash movements:</i>						
Finance costs in the income statement	2.3	0.1	1.7	45.7	0.5	50.3
Finance costs in other comprehensive income	-	-	-	-	0.6	0.6
Increase in headlease liabilities	-	-	0.6	-	-	0.6
Revaluation movement in headlease liabilities	-	-	(0.1)	-	-	(0.1)
Currency translation movements	-	3.5	-	0.1	-	3.6
Reclassifications	5.0	(5.0)	-	-	-	-
At the end of the year	5.0	916.6	28.7	8.0	1.7	960.0

Notes to the Group Financial Statements continued

25. Related party transactions and balances

a) Relationship between Company and Investment Adviser

The Investment Advisory Agreement sets out the terms of the relationship between the Company and the Investment Adviser, including services to be provided and the calculation of the advisory fee and any incentive fee. The agreement has a termination date in December 2025 and neither party to the agreement has any contractual renewal right. The agreement may be terminated in certain circumstances which are summarised on [page 59](#) of the March 2016 Secondary Placing Disclosure Document which is available in the Investor Centre of the Company's website. It includes a right for the Company to terminate the agreement without compensation in the event of an unremedied breach by the Investment Adviser or a change of control of the Company, and a right for the Investment Adviser to terminate the agreement in the event of a change of control of the Company. The maximum termination fee is four times the previous quarter's advisory fee, with any such termination payment designed to cover the cost of redundancies and wind down costs that may be required following the Investment Adviser's loss of the management of the Group.

b) Basis of calculation of fees

EPRA introduced new methods of calculation of EPRA net asset value with effect from 1 January 2020. In considering that change, the Remuneration Committee concluded that, in order for the calculation of the advisory and incentive fees to remain consistent with the way that those fees had been calculated since the Company's listing in 2014 and as set out in the Investment Advisory Agreement, the fees would continue to be calculated on the basis of the EPRA NAV methodology in place at the time of the agreement. That basis is set out in the EPRA Guidance issued in 2016, referred to in these financial statements as "2016 basis EPRA NAV".

In addition, following a proposal made by the Investment Adviser, with effect from 1 April 2020 the advisory fee was reduced to the extent that the 2016 basis EPRA NAV includes surplus cash realised on the disposal of a portfolio of hospitals in August 2019. The balance of the surplus cash at 1 April 2020 was £158.3 million and as at 31 December 2021 was £88.1 million (31 December 2020: £113.9 million). Since the balance sheet date, the remainder of that surplus cash has been committed to the refinancing of one of the Group's secured debt facilities in April 2022.

The fees are calculated every quarter, on the basis of the simple average NAV over the quarter.

	31 December 2021		31 December 2020	
	£m	Pence per share	£m	Pence per share
EPRA NTA	1,374.1	424.1	1,229.2	379.3
Adjustment to deferred tax on German investment property revaluations	4.0	1.2	5.9	1.9
NAV for purposes of incentive fee calculation (2016 basis EPRA NAV)	1,378.1	425.3	1,235.1	381.2
Adjustment for surplus cash	(88.1)	(27.2)	(113.9)	(35.2)
NAV for purposes of advisory fee calculations	1,290.0	398.1	1,121.2	346.0

c) Advisory fees payable

Advisory fees payable to the Investment Adviser are calculated as:

- 1.25% per annum on NAV for the purposes of advisory fee calculations up to £500 million, plus
- 1.0% per annum on NAV for the purposes of advisory fee calculations between £500 million and £1 billion, plus
- 0.75% per annum on NAV for the purposes of advisory fee calculations between £1 billion and £1.5 billion, plus
- 0.5% per annum on NAV for the purposes of advisory fee calculations over £1.5 billion.

During the year, advisory fees of £12.4 million (2020: £12.8 million) plus VAT were payable in cash, of which £0.1 million was outstanding as at the balance sheet date (2020: £nil). The impact of adopting 2016 basis EPRA NAV is that fees payable in the current year were £42,000 (2020: £44,000) higher than they would have been under EPRA NTA.

d) Incentive fee

The Investment Adviser may become entitled to an incentive fee intended to reward growth in Total Accounting Return ("TAR") above an agreed benchmark and to maintain strong alignment of the Investment Adviser's interests with those of shareholders. TAR is measured as growth in 2016 basis EPRA NAV per share plus dividends paid in the year.

The fee entitlement is calculated annually on the basis of the Group's audited financial statements, with any fee payable settled in shares in the Company (subject to certain limited exceptions, none of which have yet applied). Sales of these shares are restricted (save for certain limited exceptions), with the restriction lifted on a phased basis over a period from 18 to 42 months from the date of issue. Shares may be released from the sale restriction in the event that shares need to be sold to settle the tax liability on the receipt of those shares, although this exemption has never been requested.

The incentive fee is calculated by reference to growth in TAR: if that growth exceeds a hurdle rate of 10% per annum since the last year in which an incentive fee was earned, an incentive fee equal to 20% of this excess is payable in shares to the Investment Adviser. In the event of an incentive fee being payable, a high water mark is established, represented by the 2016 basis EPRA NAV per share at the end of the relevant financial year, after the impact of the incentive fee, which is then the starting point for the cumulative hurdle calculations for future periods. The hurdle is set at the higher of the 2016 basis EPRA NAV at the start of the year plus 10% or the high water mark 2016 basis EPRA NAV plus 10% per annum. In this way, the incentive fee is never rebased as a result of a year of low or negative growth, maintaining strong alignment of management and shareholder interests. Dividends or other distributions paid in any period are treated as payments on account against achievement of the hurdle rate of return. The incentive fee payable in any year is subject to a cap of 5% of 2016 basis EPRA NAV, save for a fee payable in the event of a change of control of the Company which is uncapped.

A high water mark 2016 basis EPRA NAV per share of 431.1 pence per share was established at 31 December 2019 when an incentive fee was last earned. At 31 December 2020, 2016 basis EPRA NAV was 381.2 pence per share which meant that TAR had to exceed 124.4 pence per share for the year to 31 December 2021 for a fee to be earned. After dividends of 15.2 pence per share were paid in the year, this equated to a 2016 basis EPRA NAV per share of 491.4 pence per share (£1,592.3 million) at 31 December 2021. Since 2016 basis EPRA NAV is below this level at 425.3 pence per share, no incentive fee is payable for the current year.

Assuming no changes in the Company's capital structure, growth in net assets together with dividends paid will have to have reached a 2016 basis EPRA NAV of 540.5 pence per share by 31 December 2022 before an incentive fee is earned for that year.

e) Dividends paid to related parties and key management personnel

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Prestbury Incentives Limited ¹	2.9	3.0
Nick Leslau ²	2.8	2.9
Mike Brown	0.2	0.2
Prestbury Investment Partners Limited ¹	0.2	0.1
Other Directors (Sandy Gumm, Martin Moore, Ian Marcus, Jonathan Lane and Leslie Ferrar)	0.1	0.1
	6.2	6.3

1 Nick Leslau, Mike Brown and Sandy Gumm are shareholders and directors of both Prestbury Investment Partners Limited and the parent undertaking of Prestbury Incentives Limited, together with other key management personnel, Tim Evans and Ben Walford. Other senior members of the Prestbury team also have equity interests in those companies

2 comprising dividends from 16,850,300 ordinary shares held by an entity in which Nick Leslau has a 95% indirect interest and 1,491,709 shares held by a company which he wholly owns

26. Events after the balance sheet date

On 3 March 2022, certain Group companies entered into committed credit agreements for £232.0 million and €60.2 million of senior debt, scheduled to be drawn on 29 April 2022, subject to certain conventional conditions precedent. The proceeds of the loans and an estimated £108.2 million of the Group's cash reserves will be applied to prepay secured debt facilities due to mature in October 2022.

On 4 March 2022, the Company paid an interim dividend of 3.95 pence per share amounting to £12.8 million.

PART 7

AUDITED CONSOLIDATED FINANCIAL STATEMENTS (TOGETHER WITH THE ACCOUNTANT'S REPORT AND NOTES TO THE FINANCIAL STATEMENTS) OF THE SIR GROUP FOR THE FIFTEEN-MONTH PERIOD ENDED 31 MARCH 2023

Part A: The audited consolidated financial information of the SIR Group for the fifteen-month period ended 31 March 2023

Group statement of profit or loss and other comprehensive income

		Year to 31 December 2021 £m	15 month period to 31 March 2023 £m
	Notes		
Revenue	3, 4	122.4	186.2
Property outgoings	5	(0.6)	(5.0)
Gross profit		121.8	181.2
Administrative expenses	6	(15.2)	(15.5)
Changes in fair value of investment property	11	140.2	102.3
Changes in fair value of financial instruments	13	–	4.0
Realised gain on interest rate cap disposal	13	–	16.8
Operating profit	7	246.8	288.8
Loss on early extinguishment of debt	17	–	(28.0)
Finance income	8	–	0.2
Finance expense	8	(50.0)	(56.7)
Profit before tax		196.8	204.3
Tax credit/(charge)	9	2.8	(2.1)
Profit for the year		199.6	202.2
Items that may subsequently be reclassified to profit or loss:			
Currency translation differences	23	(3.6)	4.2
Fair value movements in derivatives	13, 23	1.6	–
Other comprehensive income		(2.0)	4.2
Total comprehensive income for the year		197.6	206.4
		<i>Pence per share</i>	<i>Pence per share</i>
Earnings per share			
Basic and diluted	10	61.6	62.4

The accompanying notes are an integral part of these Consolidated Financial Statements.

Group Statement of Changes in Equity

<i>Year to 31 December 2021</i>	<i>Share capital £m</i>	<i>Share premium reserve £m</i>	<i>Other reserves £m</i>	<i>Retained earnings £m</i>	<i>Total £m</i>
At 1 January 2021	32.4	523.2	3.7	662.2	1,221.5
Profit for the year	–	–	–	199.6	199.6
Other comprehensive loss	–	–	(2.0)	–	(2.0)
Total comprehensive income	–	–	(2.0)	199.6	197.6
Interim dividends of 15.2 pence per share	–	–	–	(49.3)	(49.3)
At 31 December 2021	<u>32.4</u>	<u>523.2</u>	<u>1.7</u>	<u>812.5</u>	<u>1,369.8</u>

<i>Period to 31 March 2023</i>	<i>Share capital £m</i>	<i>Share premium reserve £m</i>	<i>Other reserves £m</i>	<i>Retained earnings £m</i>	<i>Total £m</i>
At 1 January 2022	32.4	523.2	1.7	812.5	1,369.8
Profit for the period	–	–	–	202.2	202.2
Other comprehensive loss	–	–	4.2	–	4.2
Total comprehensive income	–	–	4.2	202.2	206.4
Interim dividends of 7.9 pence per share	–	–	–	(25.6)	(25.6)
At 31 March 2023	<u>32.4</u>	<u>523.2</u>	<u>5.9</u>	<u>989.1</u>	<u>1,550.6</u>

Group Balance Sheet

		31 December 2021 £m	31 March 2023 £m
	Notes		
Non-current assets			
Investment properties	3, 11	2,158.2	2,296.9
Headlease rent deposits		2.8	2.8
Property, plant and equipment		0.2	0.2
Interest rate derivatives	13	0.1	4.7
		<u>2,161.3</u>	<u>2,304.6</u>
Current assets			
Cash and cash equivalents	14	198.4	36.7
Interest rate derivatives	13	–	0.8
Trade and other receivables	15	2.8	141.1
		<u>201.2</u>	<u>178.6</u>
Total assets		<u>2,362.5</u>	<u>2,483.2</u>
Current liabilities			
Trade and other payables	16	(41.3)	(45.7)
Secured debt	17	(373.8)	(127.7)
Other financial liabilities	20	–	(1.6)
Interest rate derivatives	13	(0.2)	–
Current tax liability		(0.1)	–
		<u>(415.4)</u>	<u>(175.0)</u>
Non-current liabilities			
Secured debt	17	(538.6)	(462.4)
Other financial liabilities	20	–	(254.7)
Head rent obligations under finance leases	19	(30.6)	(31.0)
Deferred tax liability	21	(8.0)	(9.5)
Interest rate derivatives	13	(0.1)	–
		<u>(577.3)</u>	<u>(757.6)</u>
Total liabilities		<u>(992.7)</u>	<u>(932.6)</u>
Net assets		<u>1,369.8</u>	<u>1,550.6</u>
Equity			
Share capital	22	32.4	32.4
Share premium reserve	23	523.2	523.2
Other reserves	23	1.7	5.9
Retained earnings	23	812.5	989.1
Total equity		<u>1,369.8</u>	<u>1,550.6</u>

Group Cash Flow Statement

		Year to 31 December 2021 £m	Period to 31 March 2023 £m
	Notes		
Operating activities			
Profit before tax		196.8	204.3
Investment property revaluation	11	(140.2)	(102.3)
Changes in fair value of financial instruments	13	–	(4.0)
Realised Gain on interest rate cap disposal	13	–	(16.8)
Accretion of lease incentives	3	(15.2)	(31.7)
Make-whole costs on settlement of debt facility	17	–	28.0
Finance income	8	–	(0.2)
Finance costs	8	50.0	56.7
Cash flows from operating activities before changes in working capital		91.4	134.0
Changes in working capital:			
Trade and other receivables		16.9	(3.3)
Trade and other payables		5.5	8.9
Cash generated from operations		113.8	139.6
Tax paid		(0.3)	(0.9)
Cash flows from operating activities		113.5	138.7
Investing activities			
Leisure lease incentive payments		(30.5)	–
Disposal of investment properties		0.1	–
Investment property additions		–	(1.3)
Cash flows from investing activities		(30.4)	(1.3)
Financing activities			
Dividends paid		(49.3)	(25.6)
Interest and finance costs paid	26	(47.7)	(51.5)
Increase in amounts due from parent company		–	(134.7)
Scheduled repayment of secured debt	26	(7.3)	(5.3)
Make-whole costs on settlement of debt facility	17	–	(28.0)
New debt drawn	26	–	282.5
Cash received on in the money derivatives	13	–	0.7
Loan arrangement fees paid	26	–	(5.4)
Unscheduled repayment of secured debt	26	–	(603.4)
Proceeds from recognition of income strip	20, 26	–	257.0
New derivatives purchased	13	–	(8.4)
Proceeds from close out of interest rate cap	26	–	23.1
Cash flows from financing activities		(104.3)	(299.0)
Decrease in cash and cash equivalents		(21.2)	(161.6)
Cash and cash equivalents at the beginning of the year		219.7	198.4
Currency translation movements		(0.1)	(0.1)
Cash and cash equivalents at the end of the year	14	198.4	36.7

Notes to the Group Financial Statements

1 General information about the SIR Group

The SIR Group comprises the company formerly known as Secure Income REIT plc and its subsidiaries. Secure Income REIT plc became Secure Income REIT Limited on 27 July 2022 following its re-registration as a private company. Secure Income REIT Limited changed its name to LXi SIR Holdco Limited on 1 August 2022.

LXi SIR Holdco Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG.

The principal activity of the SIR Group throughout the period is the ownership and leasing of investment property.

The information for the periods covered by the historical financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory consolidated accounts for the year ended 31 December 2021 has been delivered to the Registrar of Companies. These accounts were unqualified and had a clean audit opinion. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2 Basis of preparation and material accounting policies

a) **Statement of compliance**

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards as applicable to companies reporting under those standards. These policies are consistent with the accounting policies used by the wider LXi Reit Plc Group.

b) **Basis of preparation**

The historical financial information provided presents the consolidated financial track record of the SIR Group for the period ended 31 March 2023, together with unaudited comparatives for the year to 31 December 2021 and is prepared for the purposes of the Prospectus which has been prepared in connection with the Merger.

The SIR Group financial statements are presented in Sterling as this is the currency of the primary economic environment in which the SIR Group operates. Amounts are rounded to the nearest hundred thousand pounds unless otherwise stated.

Euro denominated results of the German operations have been converted to Sterling at the average exchange rate for the year of €1:£0.86 (2021: €1:£0.86), which is not considered to produce materially different results from using the actual rates at the date of the transactions. Year end balances have been converted to Sterling at the 31 March 2023 exchange rate of €1:£0.88 (2021: €1:£0.84). The accounting policy for foreign currency translation is in note 2g).

The financial statements have been prepared on the historical cost basis, except for investment properties and derivatives which are stated at fair value. The accounting policies have been applied consistently in all material respects.

Going concern

The financial statements of the SIR Group have been prepared on a going concern basis.

The wider LXi Reit Plc Group has an Investment Grade credit rating, a healthy liquidity position and comfortable headroom against financial covenant levels. In light of current macroeconomic uncertainty, 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 LXi Reit Plc Board (the “Board”) expects the Group to continue to be a going concern for at least 24 months from the date of publication. On undertaking our going concern review we have looked at a prolonged period of 36 months from the date of publication. Our key assumptions are that:

- No breaches of loan covenants during the forecast going concern period
- Defensive and diversified portfolio that is 100 per cent. let or pre-let on long leases to strong tenant covenants
- 100 per cent. rent collection
- Interest rate costs continue to be capped in line with our current contractual obligations

Strong liquidity

At 31 March 2023 the SIR Group had net assets of £1.6 billion (31 March 2022: £1.4 billion) and a cash balance of £36.7 million (31 March 2022: £198.4 million).

Post balance sheet date, the wider LXi Group completed the refinancing of various facilities that were due to expire in the near term resulting in total borrowings of £1,298.6 million.

Virtually all rent has inflation-protection, through indexed or fixed uplifts, providing substantial protection and the opportunity to generate rental growth in a high inflationary environment.

Debt maturity

Post refinancing, the wider LXi Group has a 6-year weighted average term to maturity with no debt maturing within 12 months of the approval date of the financial statements. The next refinancing event relates to the £63 million L&G facility which falls due in September 2025. The SIR Group’s financial projections show there are sufficient funds for the facility to be repaid in full from free cash. The next large refinancing event following is in October 2025 and relates to the £293m AIG healthcare facility and represents 23 per cent. of the total post refinancing committed debt.

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets and liabilities as at each balance sheet date and the reported amounts of revenue and expenses during any financial year. Any estimates and assumptions are based on experience and any other factors that are believed to be relevant under the circumstances and which the Board considers reasonable. Actual outcomes may differ from these estimates.

The principal area of estimation uncertainty is the investment property valuation where, as described in note 11, the opinion of independent external valuers has been obtained at each reporting date using recognised valuation techniques and the principles of IFRS 13 “Fair Value Measurement”.

The SIR Group’s accounting policies for property valuation and revenue recognition are set out in paragraph 2d). Other policies material to the SIR Group are set out in paragraphs 2c) and 2e) to 2i).

Standards effective from 1 January 2022

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

- Annual improvements to IFRS standards (applicable to periods beginning on or after 1 January 2022):
 - 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.
 - 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 SIR Group as they are either not relevant to the SIR Group's activities or require accounting which is consistent with the SIR 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 SIR 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 (Periods beginning after 1 January 2024). These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendment is not expected to have an impact on the presentation or classification of the liabilities in the SIR 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' (Periods beginning after 1 January 2023).
- Update to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' in order to help entities apply materiality judgements to accounting policy disclosure (Periods beginning after 1 January 2023).

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 SIR Group has decided not to adopt early. None of these are expected to have a material impact on the consolidated financial statements of the SIR Group.

c) ***Basis of consolidation***

Subsidiaries are those entities controlled directly or indirectly by the Company. The Company has control within the meaning of this policy when it has power over an entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect those returns.

The consolidated financial statements include the financial statements of the Company's subsidiaries prepared to 31 March under the same accounting policies as the SIR Group as a whole, using the acquisition method. All intra-group balances and transactions are eliminated on consolidation except those owed to the wider LXi Reit Plc Group.

All SIR Group entities were wholly owned throughout the current year and the prior year.

d) ***Significant judgements and estimates***

Estimates

Investment properties

Investment properties are properties ultimately owned by the Company, directly or indirectly, which are held for capital appreciation, rental income or both. They are initially recorded at cost and subsequently valued at each balance sheet date at fair value as determined by professionally qualified independent external valuers.

Valuations are calculated, in accordance with RICS Valuation – Global Standards 2020, by applying market capitalisation rates to future rental cash flows with reference to data from comparable market transactions, together with an assessment of the security of income. Gains or losses arising from changes in the fair value of investment properties are recognised in the income statement in the period in which they arise. Depreciation is not charged in respect of investment properties.

Judgements

Occupational leases

The Directors exercise judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IFRS 16 “Leases” for all occupational leases and headleases, to determine whether or not such leases are operating leases. A lease is classified as a finance lease if substantially all of the risks and rewards of ownership transfer to the lessee. In the case of properties where the SIR Group has a leasehold interest, this assessment is made by reference to the SIR Group’s right of use asset arising under the headlease rather than by reference to the underlying asset. If the SIR Group substantially retains those risks, a lease is classified as an operating lease. All occupational leases reflected in these financial statements are classified as operating leases.

Headleases

Where an investment property is held under a leasehold interest, the headlease is initially recognised as an asset at cost plus the present value of minimum ground rent payments. The corresponding rental liability to the head leaseholder is included in the balance sheet as a finance lease obligation. Cash flows arising under headleases are classified under operating activities before changes in working capital in the cash flow statement. Cash deposits held by head leaseholders as guarantees of headlease obligations are held on the balance sheet as non-current assets and any movements in deposits are disclosed as changes in working capital within cash generated from operations in the cash flow statement.

Other financial liabilities

During the year, the SIR Group entered into the sale of a 65-year income strip of Alton Towers and Thorpe Park in October 2022 for £257 million. The sale price represented a net initial yield of 2.96 per cent. NIY on 30 per cent. of the annual rental income. The structure comprised selling the freehold in the properties to a UK institutional investor, with 999-year leases granted back to the Company pursuant to which the Company pays an annual aggregate rent of £8.2 million, representing 30 per cent. of the annual rental income received from the tenant. The Company can acquire the freehold back for £1 in year 65. The obligations in relation to this transaction amount to £256.3 million at the year end and the balance is classified separately from leasehold liabilities as an other financial liability. Of this balance £1.6 million is due within one year and £254.7 million is due in more than one year.

This transaction has been accounted for as a sale and leaseback transaction, which didn’t meet the requirements for a sale to be recognised due to the fact that the freehold can be repurchased in year 65 for £1 as combined with the fact that the SIR Group retains the long leasehold and subsequent rent receivable from Merlin the tenant.

Rental income

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

Any lease incentives, including payments made to a tenant, and initial direct costs incurred in obtaining a lease are added to the carrying amount of the underlying asset and recognised as expenses over the lease term on the same basis as the relevant lease income.

Where there has been a change in the scope of a lease or the consideration for a lease that was not part of the original terms and conditions of that lease, this is accounted for as a lease modification. Such modifications are accounted for as new leases from the effective date of the modification, which is the date at which both parties agree to the terms of the modification. Any prepaid or accrued lease

payments relating to the original lease at the date of modification are treated as part of the lease payments for the new lease. Future anticipated rental income is spread over the term of the lease on a straight line basis, giving rise to a Rent Smoothing Adjustment in the event that rent is reduced for a period.

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

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

Lease term

In accordance with accounting standards, 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 extension option 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 options 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.

e) **Financial assets and liabilities**

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with maturities of three months or less held with banks or financial institutions. Returns on cash and cash equivalents are included in the cash flow statement under investing activities.

Borrowings and 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 SIR 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.

Interest rate derivatives

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

Derivatives are held at fair value through profit and loss.

f) **Tax**

Tax is included in the income statement except to the extent that it relates to income or expense items recognised through reserves, in which case the related tax is recognised either in other comprehensive income or directly in reserves.

Current tax is the expected tax payable on taxable income for a reporting period at the blended tax rate for the period, using tax rates enacted or substantively enacted at the balance sheet date, together with any adjustment in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The amount of deferred tax 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 balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Tax paid is classified under cash flows from operating activities in the cash flow statement.

g) **Foreign currency translation**

The results of SIR 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 SIR 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.

h) **Equity dividends**

Equity dividends are recognised when they become legally payable: interim dividends when paid and final dividends when approved by shareholders at an annual general meeting.

3 Operating segments

IFRS 8 "Operating Segments" requires operating segments to be identified in the financial statements on a basis consistent with internal reports about components of the SIR Group that are reviewed by the chief operating decision maker to make decisions about resources to be allocated between segments and assess their performance. The Company's chief operating decision maker is its Board.

The SIR Group owned 160 properties at 31 March 2023 (2022: 160), originally acquired in five separate portfolios. Although certain information about these portfolios is described on a portfolio basis within the Investment Adviser's Report or grouped by property type (Healthcare, Leisure and Budget Hotels), when considering resource allocation and performance the Board reviews quarterly management accounts prepared on a basis which aggregates the performance of the portfolios and focuses on the SIR Group's Total Accounting Return. The Board has therefore concluded that the SIR Group has operated in, and was managed as, one reportable segment of property investment in both the current and prior year.

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

	Year to 31 December 2021 £m	Period to 31 March 2023 £m
<i>Revenue</i>		
UK	114.2	167.9
Germany	8.2	18.3
	<u>122.4</u>	<u>186.2</u>
	31 December 2021 £m	31 March 2023 £m
<i>Investment properties</i>		
UK	2,023.5	2,154.6
Germany	134.7	142.3
	<u>2,158.2</u>	<u>2,296.9</u>

Revenue by tenant comprises:

	Year to 31 December 2021 £m	Period to 31 March 2023 £m
<i>Revenue including Rent Smoothing Adjustments</i>		
Ramsay Healthcare UK Operations Limited, guaranteed by Ramsay Health Care Limited	37.2	51.5
Travelodge Hotels Limited	29.5	42.2
Merlin Attractions Operations Limited, guaranteed by Merlin Entertainments Limited	29.1	49.1
Other tenants (each less than 10 per cent. of revenue)	26.6	43.4
Reported revenue	<u>122.4</u>	<u>186.2</u>

4 Revenue

	Year to 31 December 2021 £m	Period to 31 March 2023 £m
Rent receivable	105.6	149.8
Rent Smoothing Adjustments:	15.2	31.7
Recovery of head rent and service charge costs from occupational tenants (note 5)	1.6	4.7
	<u>122.4</u>	<u>186.2</u>

The Rent Smoothing Adjustments arise from the SIR Group's accounting policy in respect of leases, which requires the recognition of rental income on a straight line basis over the lease term, including rental uplifts throughout the term in certain circumstances. Uplifts that must be smoothed over the lease term are those for the 41 per cent. of passing rent as at 31 March 2023 (31 December 2021: 41 per cent.) that increases by a fixed percentage at each review date and the 31 per cent. of passing rent at 31 March 2023 (31 December 2021: 31 per cent.) that is subject to minimum uplifts.

Rent Smoothing Adjustments include the impact of the temporary rent reductions agreed to assist tenants as a result of the Covid-19 pandemic, which in the short term resulted in rental income being recognised in the income statement ahead of cash flows but which, after the end of each relevant concession period,

reverse so that rental income recognised in the income statement will be lower than cash rents received on those leases. Rent Smoothing Adjustments also include the back rent received during a prior year from a May 2017 rent review on the Healthcare portfolio, which is being recognised in revenue over the remaining lease term despite the cash having been received in 2017, and in future years will also reverse the reduction in rental income that results from spreading the cost of the Leisure lease incentive payments, which were paid just before the year end, over the extended term of the relevant leases.

The SIR Group's accounting policy for revenue recognition is disclosed in note 2d).

5 Property outgoings

	Year to 31 December 2021 £m	Period to 31 March 2023 £m
Property outgoings in the income statement	0.6	5.0
Finance element of head rent included in finance costs (note 8)	1.8	4.4
Movement in headlease liabilities included in property revaluations (note 11)	0.1	0.1
Property outgoings	2.5	9.5
Recovery of head rents and service charge costs from occupational tenants, included in revenue (note 4)	(1.6)	(4.7)
Net property outgoings	0.9	4.8
	Year to 31 December 2021 £m	Period to 31 March 2023 £m
<i>Property outgoings net of tenant recoveries</i>		
Head rents net of amounts recovered from occupational tenants	0.6	4.9
Irrecoverable property costs	0.2	(0.1)
Managing agent costs and other net property outgoings	0.1	–
	0.9	4.8

Amounts shown above include any irrecoverable VAT.

The SIR Group's accounting policy for headleases is disclosed in note 2d).

6 Administrative expenses

	Year to 31 December 2021 £m	Period to 31 March 2023 £m
Advisory fees (note 27b))	13.2	7.9
German RETT tax	–	5.5
Other administrative expenses	1.5	1.4
Corporate costs	0.5	0.7
	15.2	15.5

Amounts shown above include any irrecoverable VAT.

The advisory fee ceased to be payable on completion of the merger with LXi Reit Plc on 6 July 2022.

The German RETT tax of £5.5 million is a one off payment to the German tax authorities, and a filing was submitted in October 2022. The German RETT is triggered when the ultimate owner of an entity holding German property is changed. This was triggered due to the ultimate parent undertaking of Secure Income Reit Plc changing to LXi Reit plc on 6 July 2022 as part of the merger.

The German RETT tax has not yet been paid as at 31 March 2023 and is being held within accruals.

7 Operating profit

The SIR Group had no employees in either the current or prior year. The key management personnel of the Company are the Directors, who are appointed under letters of appointment for services. Directors' remuneration, all of which represents fees for services provided and is included within administrative expenses, was as follows:

	Year to 31 December 2021 £000	Period to 31 March 2023 £000
Martin Moore (<i>Chairman</i>)	75.0	57.5
Leslie Ferrar (<i>Chairman of Audit Committee</i>)	45.0	34.5
Jonathan Lane	40.0	30.7
Ian Marcus	40.0	30.7
	<u>200.0</u>	<u>153.4</u>

Administrative expenses also include £19,000 (2021: £23,000) of National Insurance contributions paid in connection with the Directors' remuneration above.

Mike Brown, Sandy Gumm and Nick Leslau received no Directors' remuneration from the SIR Group in either the current or prior year.

8 Finance income and costs

	Year to 31 December 2021 £m	Period to 31 March 2023 £m
Finance income		
Interest on cash deposits	<u>–</u>	<u>0.2</u>
Finance costs		
<i>Cash costs:</i>		
Interest on secured debt	(44.5)	(45.3)
Interest charge on headlease liabilities	(1.8)	(4.4)
Cash settlement of interest rate derivatives, transferred from other reserves	(0.8)	–
Loan agency fees and other lender costs	(0.5)	(0.2)
<i>Non-cash movements:</i>		
Amortisation of loan arrangement costs	(2.3)	(6.8)
Fair value adjustment of interest rate derivatives (note 13)	<u>(0.1)</u>	<u>–</u>
Total finance costs	<u>(50.0)</u>	<u>(56.7)</u>
Net finance costs recognised in the income statement	<u>(50.0)</u>	<u>(56.5)</u>
Fair value adjustment of interest rate derivatives	0.8	–
Cash settlement of interest rate derivatives, transferred to the income statement	<u>0.8</u>	<u>–</u>
Net finance income recognised in other comprehensive income	<u>1.6</u>	<u>–</u>

Net finance costs analysed by the categories of financial asset and liability shown in note 18b) are as follows:

	<i>Year to 31 December 2021 £m</i>	<i>Period to 31 March 2023 £m</i>
Financial assets at amortised cost	–	0.2
Financial liabilities at amortised cost	(49.1)	(56.7)
Derivatives in effective hedges	(0.9)	–
Net finance costs recognised in the income statement	(50.0)	(56.5)

The SIR Group's accounting policy for finance costs is disclosed in note 2e).

9 Tax

	<i>Year to 31 December 2021 £m</i>	<i>Period to 31 March 2023 £m</i>
Current tax – Germany		
Corporation tax charge	0.4	1.2
Adjustments in respect of prior years	–	–
Deferred tax – Germany		
Deferred tax (credit)/ charge (note 21)	(3.2)	0.9
	(2.8)	2.1

The tax assessed for the year varies from the standard rate of corporation tax in the UK applied to the profit before tax. The differences are explained below:

	<i>Year to 31 December 2021 £m</i>	<i>Period to 31 March 2023 £m</i>
Profit before tax	196.8	204.3
Tax charge at the standard rate of corporation tax in the UK for the financial year of 19% (2021: 19%)	37.4	38.8
<i>Effects of:</i>		
Investment property revaluation not taxable	(23.6)	(19.4)
Qualifying property rental business not taxable under UK REIT rules	(10.3)	(17.0)
Deferred tax credit from revision of assessment	(7.7)	1.3
Expenses not deductible for tax purposes	–	0.2
Valuation adjustment on derivative financial instruments	–	(0.8)
Realised gains/losses on property transfers	–	(3.3)
Unutilised tax losses carried forward	0.8	–
German current tax charge for the year	0.4	2.1
Finance costs disallowed under corporate interest restriction rules	0.2	0.2
Adjustments in respect of prior years	–	–
Tax (credit)/charge for the year	(2.8)	2.1

The Company and its subsidiaries operate as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT rules exempt the profits of the Group's UK and German property rental business from UK corporation tax. Capital gains on the SIR Group's UK and German properties are also generally exempt from UK corporation tax, provided they are not held for trading.

To remain a UK REIT, a number of conditions must be met in respect of the Company, the SIR Group's qualifying activity and the SIR Group's balance of business. Since entering the UK REIT regime the SIR Group has met all applicable conditions.

The SIR Group is subject to German corporation tax on its German property rental business at an effective rate of 15.82 per cent. (2021: 12.5 per cent.), resulting in a tax charge of £0.4 million (2021: £0.4 million). A deferred tax liability of £9.5 million (2021: £8.0 million) 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 in note 21.

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 £0.6 million and a provision has been made to that extent.

The SIR Group's accounting policy for tax is disclosed in note 2f).

10 Earnings per share

Basic EPS

Earnings per share ("EPS") is calculated as the profit attributable to ordinary shareholders of the Company for each year divided by the weighted average number of ordinary shares in issue throughout the relevant year. Since no incentive fee has been recognised for either the current year or the prior year, there are no shares to be issued and diluted EPS is therefore the same as basic EPS.

	<i>Year to 31 December 2021 £m</i>	<i>Period to 31 March 2023 £m</i>
Profit for the year	199.6	202.2
	<i>Number</i>	<i>Number</i>
Weighted average number of shares in issue	324,035,146	324,035,146
	<i>Pence per share</i>	<i>Pence per share</i>
Basic and Diluted EPS	61.6	62.4

Basic and diluted figures are the same due to there being no outstanding share options.

11 Investment properties

	Year to 31 December 2021 £m	Period to 31 March 2023 £m
Freehold investment properties		
At the start of the year	1,705.8	1,872.7
Lease incentive payments	33.6	–
Lease incentive accretion	11.7	20.9
Revaluation movement	130.0	105.5
Currency translation movement	(8.3)	3.6
Property reclassification Merlin income strip	–	(596.5)
Disposals	(0.1)	–
At the end of the year	1,872.7	1,406.2
Leasehold investment properties		
At the start of the year	269.8	285.5
Additions	–	1.3
Lease incentive accretion	3.5	10.8
Property reclassification Merlin income strip	–	596.5
Revaluation movement	10.2	(3.2)
Increase in headlease liabilities	2.0	(0.2)
At the end of the year	285.5	890.7
Total investment properties		
At the start of the year	1,975.6	2,158.2
Additions	–	1.3
Lease incentive payments	33.6	–
Lease incentive accretion	15.2	31.7
Revaluation movement	140.2	102.3
Currency translation movement	(8.3)	3.6
Increase in headlease liabilities	2.0	(0.2)
Disposals	(0.1)	–
At the end of the year	2,158.2	2,296.9

As at 31 March 2023 the properties were valued at £2,009.6 million (2021: £2,127.6 million) by Knight Frank LLP (2021: CBRE Limited or Christie & Co) in their capacity as independent external valuers. Of the total fair value, £142.3 million (2021: £134.7 million) relates to the SIR Group's German investment properties, the valuations of which are translated into Sterling at the year end exchange rate.

The valuations were prepared on a fixed fee basis, independent of the portfolio value, and were undertaken in accordance with RICS Valuation – Global Standards 2020 on the basis of fair value, supported by reference to market evidence of transaction prices for similar properties where available.

During the prior year, the SIR Group agreed to pay £33.5 million to certain Leisure tenants as an incentive to enter into lease extensions, £3.0 million of which remained outstanding at 31 December 2021 the prior period balance sheet date and was included in accruals and other payables (note 16). As at 31 March 2023 nil is outstanding. Along with capitalised costs of the transaction totalling £0.1 million, £33.6 million was added to the carrying value of the relevant investment properties as a result.

The historic cost of the SIR Group's investment properties as at 31 March 2023 was £1,518.1 million (2021: £1,516.8 million).

As at 31 March 2023 all of the investment properties are held within five (2021: six) ring-fenced security pools as security under fixed charges in respect of separate secured debt facilities.

Under the SIR Group's accounting policy, in line with IFRS, the carrying value of leasehold properties is grossed up by the present value of minimum headlease payments. The corresponding liability to the head

leaseholder is included in the balance sheet as a finance lease obligation or, in the case of the Merlin Sale and Leaseback (“the Merlin Income Strip”), within other financial liabilities. The reconciliation between the carrying value of the investment properties and their independent external valuation is as follows:

	31 December 2021 £m	31 March 2023 £m
Carrying value	2,158.2	2,296.9
Gross-up of other financial liabilities (note 20)	–	(256.3)
Gross-up of headlease liabilities (note 19)	(30.6)	(31.0)
Independent external valuation	<u>2,127.6</u>	<u>2,009.6</u>

Included within the carrying value of investment properties at 31 March 2023 is £222.8 million (2021: £191.1 million) in respect of Rent Smoothing Adjustments (described in note 4), representing the amount of the net mismatch between rent included in the income statement and cash rents actually receivable. This net receivable increases over broadly the first half of each lease term, in the case of fixed or minimum uplifts, or the period of the temporary rent reductions agreed with tenants in light of Covid-19. The balance then unwinds, reducing to zero by the end of the lease term. The difference between rents on a straight line basis and rents actually receivable is included within, but does not increase over fair value, the carrying value of investment properties. Also included is the impact of back rent received during a prior year from a rent review on the Healthcare portfolio, which is being recognised in revenue over the remaining lease term despite the cash having been received in 2018, together with movements on the headlease and other financial liabilities.

All of the SIR Group’s revenue reflected in the income statement is derived either from rental income or the recovery of head rent and other costs on investment properties. As shown in note 5, property outgoings arising on investment properties, all of which generated rental income in each year, were £9.6 million (2021: £2.5 million) of which £0.5 million (2021: £0.9 million) was not recoverable from occupational tenants.

Other than the future minimum headlease payments disclosed in note 19, the majority of which are recoverable from tenants, the SIR Group did not have any contractual investment property obligations at either balance sheet date. All responsibility for property liabilities including repairs and maintenance resides directly with the tenants, except at Manchester Arena where such costs relating to the structure and common areas are liabilities of the SIR Group in the first instance.

The Board determines the SIR Group’s valuation policies and procedures and is responsible for overseeing the valuations. Valuations performed by the SIR Group’s independent external valuers are based on information extracted from the SIR Group’s financial and property reporting systems, such as current rents and the terms and conditions of lease agreements, together with assumptions used by the valuers (based on market observation and their professional judgement) in their valuation models. The Audit Committee assesses the valuation process, including meetings with the independent external valuers and evaluating their expertise and independence, and reports the results of these assessments to the Board.

At each reporting date, certain directors of the Investment Adviser, who have recognised professional qualifications and are experienced in valuing the types of property owned by the SIR Group, initially analyse the independent external valuers’ assessments of movements in the property valuations from the prior reporting date or, if later, the date of acquisition. Positive or negative fair value changes over a certain materiality threshold are considered and are also compared to external sources, such as the MSCI indices and other relevant benchmarks, for reasonableness. Once the Investment Adviser has considered the valuations, the results are discussed with the independent external valuers, focusing on properties with unexpected fair value changes or any with unusual characteristics. The Audit Committee assesses the valuation process, including meetings with the independent external valuers and evaluating their expertise and independence, and reports the results of these assessments to the Board.

The fair value of the investment property portfolio has been determined using an income capitalisation technique whereby contracted and market rental values are capitalised with a market capitalisation rate. This technique is consistent with the principles in IFRS 13 and uses significant unobservable inputs, such that the fair value measurement of each property within the portfolio has been classified as level 3 in the fair

value hierarchy as defined in IFRS 13. There have been no transfers to or from other levels of the fair value hierarchy during the year.

The key inputs for the level 3 valuations were as follows:

			Inputs	
Portfolio	Fair value £m	Key unobservable input	Range	Blended yield/ Total passing rent
At 31 December 2021:				
Leisure – UK	794.6	Net Initial Yield	4.3% – 7.0%	5.0%
		Running Yield in 12 months	4.3% – 7.0%	5.2%
		Passing rent per annum	£0.0 – £12.3m	£42.1m
Healthcare	790.4	Net Initial Yield	3.9% – 4.5%	4.5%
		Running Yield in 12 months	4.0% – 4.6%	4.6%
		Passing rent per annum	£0.9 – £9.1m	£37.6m
Budget Hotels	438.5	Net Initial Yield	5.5% – 16.0%	6.8%
		Running Yield in 12 months	5.8% – 16.0%	7.3%
		Passing rent per annum	£0.0 – £1.5m	£30.3m
Leisure – Germany	134.7	Net Initial Yield	4.8%	4.8%
		Running Yield in 12 months	4.9%	4.9%
		Passing rent per annum	£1.8 – £5.1m	£6.8m
	<u>2,158.2</u>			
At 31 March 2023:				
Leisure – UK	602.9	Net Initial Yield	4.8% – 7.3%	6.7%
		Running Yield in 12 months	4.9% – 7.6%	7.0%
		Passing rent per annum	£0.0 – £12.8m	£43.6m
Healthcare	821.9	Net Initial Yield	4.0% – 4.5%	4.4%
		Running Yield in 12 months	4.1% – 4.6%	4.5%
		Passing rent per annum	£0.9 – £9.4m	£38.6m
Budget Hotels	442.5	Net Initial Yield	5.1% – 13.5%	6.8%
		Running Yield in 12 months	5.4% – 13.5%	6.9%
		Passing rent per annum	£0.0 – £1.4m	£32.1m
Leisure – Germany	142.3	Net Initial Yield	4.8%	4.8%
		Running Yield in 12 months	4.9%	4.9%
		Passing rent per annum	£2.0 – £5.7m	£7.4m
	<u>2,009.6</u>			

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 SIR Group's property. These include property use, size, location, tenant covenant strength and terms of the lease.

Unobservable input: rental growth

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as a reasonable range would not result in a significant movement in fair value.

Unobservable input: net initial yield

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

As described in note 2b), the SIR Group's investment property valuations are subject to estimation uncertainty. Decreases in Net Initial Yield and increases in inflation expectations will increase the fair value and vice versa. The sensitivities of the SIR Group's investment property valuations to variations in the significant unobservable outputs for Net Initial Yield is as follows:

	31 December 2021 £m	31 March 2023 £m
(Decrease)/increase in fair value		
Net Initial Yield +0.25%	(99.2)	(90.6)
Net Initial Yield -0.25%	109.3	99.6

The SIR Group's accounting policy for investment properties is disclosed in note 2d).

12 Subsidiaries

The companies listed below are the subsidiary undertakings of the Company at 31 March 2023, all of which are wholly owned. Save where indicated, all subsidiary undertakings are incorporated in England with their registered office at 8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG

	<i>Nature of business</i>
SIR Theme Park Subholdco Limited*	Intermediate parent company and borrower under mezzanine secured debt facility
Charcoal Midco 2 Limited	Intermediate parent company
SIR Theme Parks Limited	Intermediate parent company and borrower under senior secured debt facility
SIR ATH Limited	Property investment – leisure
SIR ATP Limited	Property investment – leisure
SIR HP Limited	Property investment – leisure and borrower under senior secured debt facility (incorporated in England, operating in Germany)
SIR TP Limited	Property investment – leisure
SIR WC Limited	Property investment – leisure
SIR Hospital Holdings Limited*	Intermediate parent company
SIR Umbrella Limited	Intermediate parent company
SIR Hospitals Propco Limited	Intermediate parent company and borrower under secured debt facility
SIR Duchy Limited	Property investment – healthcare
SIR Springfield Limited	Property investment – healthcare
SIR Healthcare 1 Limited	Intermediate parent company
SIR Healthcare 2 Limited	Intermediate parent company and borrower under secured debt facility
SIR Fitzwilliam Limited	Property investment – healthcare
SIR Fulwood Limited	Property investment – healthcare
SIR Lisson Limited	Property investment – healthcare
SIR Midlands Limited	Property investment – healthcare
SIR Oaklands Limited	Property investment – healthcare

	<i>Nature of business</i>
SIR Oaks Limited	Property investment – healthcare
SIR Pinehill Limited	Property investment – healthcare
SIR Rivers Limited	Property investment – healthcare
SIR Woodland Limited	Property investment – healthcare
SIR Yorkshire Limited	Property investment – healthcare
Thomas Rivers Limited	Property investment – healthcare
SIR Hotels 1 Limited*	Intermediate parent company
SIR Hotels Jersey Limited†	Intermediate parent company
SIR Unitholder 1 Limited†	Intermediate parent company
SIR Unitholder 2 Limited†	Intermediate parent company
Grove Property Unit Trust 6†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 7†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 9†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 11†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 12†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 16†	Property investment – budget hotels and borrower under secured debt facility
SIR Hotels 2 Limited*	Intermediate parent company
SIR Hotels Jersey 2 Limited†	Intermediate parent company
SIR Unitholder 3 Limited†	Intermediate parent company
SIR Unitholder 4 Limited†	Intermediate parent company

* directly owned by the Company; all other entities are indirectly owned

† incorporated in Jersey with their registered office at 26 New Street, St Helier, Jersey JE2 3RA

	<i>Nature of business</i>
Grove Property Unit Trust 2†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 5†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 13†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 14†	Property investment – budget hotels and borrower under secured debt facility
Grove Property Unit Trust 15†	Property investment – budget hotels and borrower under secured debt facility
SIR Maple 4 Limited	Property investment – budget hotels and borrower under secured debt facility
SIR Maple Holdco Limited*	Intermediate parent company
SIR Maple 1 Limited†	Intermediate parent company

	<i>Nature of business</i>
SIR Unitholder 5 Limited [†]	Intermediate parent company
MIF I Unit Trust [†]	Property investment – leisure and borrower under secured debt facility
SIR Maple 2 Limited	Property investment – leisure and borrower under secured debt facility
SIR Maple 3 Limited	Property investment – leisure and borrower under secured debt facility
SIR New Hall Limited*	Dormant
SIR MTL Limited*	Dormant
Charcoal Bidco Limited*	Dormant
SIR Hotels 2 Holdco Limited [†]	Dormant
SIR Hotels 2 GP Limited [†]	Dormant
SIR Hotels 2 Nominee Limited [†]	Dormant
SIR Hotels 2 LP [†]	Dormant
SIR Newco Limited*	Dormant
SIR Newco 2 Limited*	Dormant

* directly owned by the Company; all other entities are indirectly owned

[†] incorporated in Jersey with the registered office at 26 New Street, St Helier, Jersey JE2 3RA

The terms of the secured debt facilities may, in the event of a covenant breach, restrict the ability of certain subsidiaries to transfer distributable reserves or assets including cash to the Company, which is itself outside all security groups.

13 Interest rate derivatives

To mitigate the interest rate risk that arises as a result of entering into variable rate loans, the SIR Group has entered into a number of interest rate derivatives. A number of interest rate caps and one interest rate swap have been taken out in respect of the SIR Group's variable rate debt to fix or cap the rate to which compounded SONIA can rise.

	<i>31 December 2021 £m</i>	<i>31 March 2023 £m</i>
Current Assets – Derivative financial instruments	–	0.8
Non-current Assets – Derivative financial instruments	0.1	4.7
Current Liabilities – Derivative financial instruments	(0.2)	–
Non-current Liabilities – Derivative financial instruments	(0.1)	–
	<u>(0.2)</u>	<u>5.5</u>

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

	31 December 2021 £m	31 March 2023 £m
Interest rate derivative valuation brought forward	(1.7)	(0.2)
Premium paid	–	8.4
Disposals	–	(6.3)
Amounts received on interest rate derivatives held at fair value through profit and loss	–	(0.7)
Exchange gain	–	0.3
Changes in fair value of interest rate derivatives	1.5	4.0
	<u>(0.2)</u>	<u>5.5</u>

Realised gain on cap disposal

	31 December 2021 £m	31 March 2023 £m
Disposal at book value	–	(6.3)
Proceeds	–	23.1
	<u>–</u>	<u>16.8</u>

Fair value hierarchy

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

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

14 Cash and cash equivalents

	31 December 2021 £m	31 March 2023 £m
Free cash and cash equivalents	168.5	14.3
Secured cash	29.9	22.4
	<u>198.4</u>	<u>36.7</u>

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

The SIR Group's accounting policy for cash and cash equivalents is disclosed in note 2e).

15 Trade and other receivables

	31 December 2021 £m	31 March 2023 £m
Trade receivables	0.2	3.9
Accrued income	1.7	–
Prepayments	0.7	2.1
Other receivables	0.2	0.4
Amounts due to other group companies	–	134.7
	<u>2.8</u>	<u>141.1</u>

Having been reviewed for expected credit losses, an impairment of £nil (2021: £22,500) was considered necessary for trade receivables and accrued income at either balance sheet date.

Amounts due from other group companies are interest free and repayable on demand.

16 Trade and other payables

	31 December 2021 £m	31 March 2023 £m
Trade payables	0.3	0.9
Rent received in advance and other deferred income	24.6	28.3
Interest payable	7.9	4.4
Accruals and other payables	5.3	6.5
Tax and social security	3.2	5.6
	<u>41.3</u>	<u>45.7</u>

17 Borrowings

	31 December 2021 £m	31 March 2023 £m
Amounts falling due within one year		
Fixed rate secured debt	375.9	114.8
Floating rate secured debt		13.2
Unamortised finance costs	(2.1)	(0.3)
	<u>373.8</u>	<u>127.7</u>
Amounts falling due in more than one year		
Fixed rate secured debt	467.6	352.1
Floating rate secured debt	73.3	113.0
Unamortised finance costs	(2.3)	(2.7)
	<u>538.6</u>	<u>462.4</u>

The SIR Group had no undrawn, committed borrowing facilities at either balance sheet date.

The debt is secured by charges, within five ring-fenced security groups, over the SIR Group's investment properties and by fixed and floating charges over the other assets of certain SIR Group companies, not including the Company itself save for a limited share charge over the parent company of one of the ring-fenced subgroups.

During the prior year, certain financial covenants were amended or waived to accommodate the temporary Covid-19 rent concessions on the Leisure and Budget Hotels portfolios. All covenant amendments and

waivers had expired by 31 December 2021. There were no defaults or breaches of any loan covenants during the current or any prior year.

Borrowings are made up of the following:

- A SONIA linked floating rate 'Leisure' facility with HSBC Plc of £60.0 million which was extended on 1 March 2023 for repayment in December 2024. The loan has a margin of 2.05 per cent. is fixed at an all-in rate of 4.55 per cent. using an interest rate cap. In October 2024 the loan was extended for a further 2 years to December 2026, with all other terms remaining the same.
- A fixed rate, interest only 'Budget hotels 1' facility of £59.0 million with M&G. The facility had a fixed all-in rate payable of 2.71 per cent. pa, for the duration of the loan term and was due for repayment in October 2023. This was repaid following the SIR Group refinancing post year-end.
- A mixed rate, interest only 'Budget hotels 2' facility with M&G of £65.4 million, £52.2 million of which was fixed at an all-in rate of 3.25 per cent. pa and £13.2 million was SONIA linked with a margin of 2.32 per cent. The SIR Group used interest rate derivatives to cap the interest on the floating elements of the facility at a total of 3.75 per cent. The loan was due for repayment in April 2023. This was repaid following the SIR Group refinancing post year-end.
- A EURIBOR linked floating rate 'Merlin B' facility with Blackstone of €60.2 million. The facility had a margin of 3.45 per cent., was capped at an all-in rate of 4.95 per cent. pa and was due for repayment in March 2025. The loan had two one-year extension options. This was repaid following the SIR Group refinancing post year-end.
- A SONIA linked floating rate 'Merlin A' facility with Blackstone of £232.0 million. The facility had a margin of 3.45 per cent., is capped at an all-in rate of 4.95 per cent. and was due for repayment in March 2025. This facility was initially refinanced in April 2022. Following the completion of the disposal of the Merlin 'income strip', the facility was repaid in full in October 2022 and the cap sold. As part of this repayment, we paid £20.6 million of early repayment charges, following which the related interest rate cap was closed-out for proceeds of £28.1 million, representing a gain of £16.8 million versus the book value. See Note 8 for more detail.
- A fixed rate amortising loan 'Healthcare 1' facility of £63.4 million with Legal and General. The facility has a fixed all-in rate payable of 4.29 per cent. pa, for the duration of the loan term and is due for repayment in September 2025. Annual amortisation on the loan is £0.3 million.
- A fixed rate amortising 'Healthcare 2' facility of £294.9 million with AIG. The facility has a fixed all-in rate payable of 5.30 per cent. pa, for the duration of the loan term and is due for repayment in October 2025. Annual amortisation on the loan is £3.2 million.

As described in note 26, since the balance sheet date £177.4 million of the fixed and floating rate secured debt falling due within one year has been refinanced. The remainder of the balance falling due within one year represents the scheduled amortisation on other loans.

The analysis of borrowings by currency is as follows:

	31 December 2021 £m	31 March 2023 £m
Sterling denominated		
Secured debt	857.3	540.1
Unamortised finance costs	(4.3)	(2.3)
	<u>853.0</u>	<u>537.8</u>
Euro denominated		
Secured debt	59.5	53.0
Unamortised finance costs	(0.1)	(0.7)
	<u>59.4</u>	<u>52.3</u>

The SIR Group's accounting policy for borrowings is disclosed in note 2e).

18 Financial risk management

a) *Categories of financial instruments*

	31 December 2021 £m	31 March 2023 £m
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents (note 14)	198.4	36.7
Headlease deposits	2.8	2.8
Accrued income (note 15)	1.7	–
Trade receivables (note 15)	0.2	1.2
Amounts due from group undertakings (note 15)	–	134.7
Derivatives in effective hedges:		
Interest rate caps (note 13)	0.1	5.5
	<u>203.2</u>	<u>180.9</u>
Financial liabilities		
Financial liabilities at amortised cost:		
Secured debt (note 17)	(912.4)	(593.1)
Headlease liabilities (note 19)	(30.6)	(31.0)
Other financial liabilities (note 20)	–	(256.3)
Interest payable (note 16)	(7.9)	(4.4)
Accruals and other payables (note 16)	(5.3)	(6.5)
Trade payables (note 16)	(0.3)	(0.9)
Derivatives in effective hedges:		
Interest rate swaps (note 13)	(0.3)	–
	<u>(956.8)</u>	<u>(892.2)</u>

At each balance sheet date, all financial assets and liabilities other than derivatives classified as held at fair value through profit and loss were measured at amortised cost.

As at 31 March 2023 the fair value of the SIR Group's secured debt was £466.8 million (2021: £928.1 million) and the fair value of the other financial liabilities was equal to their book value. Fair value is not the same as a liquidation valuation, the amount required to prepay the loans at the balance sheet date, and therefore does not represent an estimate of the cost to the SIR Group of prepaying the debt before the scheduled maturity date, which would be materially higher.

The secured debt was valued in accordance with IFRS 13 by reference to interbank bid market rates as at the close of business on the balance sheet date by Chatham Financial Europe Limited. All secured debt was classified as level 2 in the fair value hierarchy as defined in IFRS 13 and its fair value was calculated using the present values of future cash flows, based on market benchmark rates (interest rate swaps) and the estimated credit risk of the SIR Group for similar financings. There were no transfers to or from other levels of the fair value hierarchy during the current or prior year.

The SIR Group's accounting policy for material financial assets and liabilities is disclosed in note 2e).

b) *Financial risk management*

Through the SIR Group's operations and use of debt financing it is exposed to certain risks. The SIR Group's financial risk management objective is to manage the effect of these risks, for example by using fixed rate debt and interest rate derivatives to manage exposure to fluctuations in interest rates.

The exposure to each financial risk considered potentially material to the SIR Group, how it would arise and the policy for managing it is summarised below.

Market risk

Market risk in financial assets and liabilities is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The SIR Group's market risk arises from

open positions in interest bearing assets, liabilities and foreign currencies, to the extent that these are exposed to general and specific market movements.

(a) *Market risk – interest rate risk*

The SIR Group's interest bearing financial assets comprise only cash and cash equivalents. Changes in market interest rates therefore affect the SIR Group's finance income. The SIR Group's interest bearing financial liabilities comprise only secured debt. Changes in market interest rates therefore affect the SIR Group's finance costs.

The SIR Group's policy is to mitigate interest rate risk on its financial liabilities by entering into interest rate derivatives, which at the balance sheet date included interest rate swaps on £50.0 million (2021: £50.0 million) of floating rate debt and interest rate caps on the remaining £76.2 million (2021: £23.3 million) of floating rate debt. Under the interest rate swaps, the SIR Group agrees to exchange with an institutional counterparty, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed schedule of notional principal amounts. The SIR Group's fixed rate debt and debt where the interest rate risk is hedged by way of interest rate swaps, together totalling £516.8 million (2021: £893.5 million), are therefore not subject to interest rate risk.

Under the interest rate caps, the SIR Group agrees a similar exchange if the variable interest rate exceeds the contractual strike rate of the derivative. The SIR Group is therefore exposed to limited cash flow interest rate risk on the £76.2 million (2021: £23.3 million) of floating rate debt where this risk is hedged by way of interest rate caps. Interest on those loans is payable at variable rates up to the maximum established by the cap strike rate, which averaged 1.5 per cent. (2021: 1.5 per cent.) in the year.

The SIR Group's sensitivity to changes in interest rates is disclosed in note 8.

Trade and other payables are interest free as long as they are paid in accordance with their terms, and have payment terms of less than one year, so there is considered to be no material interest rate risk associated with these financial liabilities.

(b) *Market risk – foreign currency exchange risk*

The SIR Group prepares its financial statements in Sterling. On an IFRS basis, 5.6 per cent. (2021: 4.9 per cent.) by value of the SIR Group's net assets are Euro denominated and as a result the SIR Group is subject to foreign currency exchange risk. This risk is partially hedged because within the SIR 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 SIR Group's net investment in, and net returns from, its German operations.

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

	<i>Year to 31 December 2021 £m</i>	<i>Period to 31 March 2023 £m</i>
Investment property revaluation net of deferred tax	2.2	(2.7)
Other income statement movements	0.2	1.7
Increase in profit/(loss) for the year	<u>2.4</u>	<u>(1.0)</u>
Increase in other comprehensive income and equity	<u>3.9</u>	<u>7.7</u>

Credit risk

Credit risk is the risk of financial loss to the SIR Group if a counterparty fails to meet its contractual obligations. The principal counterparties at each balance sheet date are the SIR Group's tenants (in

respect of trade receivables and accrued income arising under operating leases), banks and financial institutions (as holders of the SIR Group's cash deposits and hedging counterparties).

The credit risk of trade receivables is considered low because the counterparties to the operating leases are believed by the Board to be capable of discharging their lease obligations and any lease guarantors are also of appropriate financial strength.

The credit risk on cash deposits is considered to be limited because the counterparties are banks and financial institutions with credit ratings which are acceptable to the Board and which are kept under review at least each quarter and more often if required.

Liquidity risk

Liquidity risk arises from the SIR Group's management of working capital and its ability to meet its liabilities as they fall due, principally the finance costs and principal repayments on its secured debt.

The Board seeks to manage liquidity risk by ensuring that sufficient cash is available to meet the SIR Group's foreseeable needs. Financing costs and scheduled amortisation have been met during the year, with only limited exceptions during a rent concession period for one tenant, out of rental income which, in all cases, provides headroom over the relevant amounts payable. Before entering into any financing arrangements, the Board assesses the resources that are expected to be available to the SIR Group to meet its liabilities when they fall due, including repayments at loan maturity. These assessments are made on the basis of both base case and stress tested scenarios.

Other liquidity needs are relatively modest and are managed principally through the deduction of much of the direct operating costs from rental receipts before any surplus is applied in payment of interest and loan amortisation as permitted by the facility agreements relating to the SIR Group's secured debt.

Performance against budgets and working capital forecasts are reviewed by the Board at least quarterly to assess liquidity requirements and compliance with loan covenants. The Board keeps under review the maturity profile of the SIR Group's cash deposits in order to have reasonable assurance that cash will be available for the settlement of liabilities or to deploy in investment opportunities when they fall due.

The following maturity analysis has been drawn up based on the undiscounted cash flows of financial liabilities, including future interest payments, with reference to the earliest date on which the SIR Group can be required to pay. During the year, 74 per cent. (2020: 73 per cent.) of the SIR Group's headlease liabilities were recoverable from tenants and are not included in this analysis to the extent that they are recoverable.

31 December 2021	Effective interest rate	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Financial assets						
Cash and cash equivalents	0.02%	198.4	–	–	–	198.4
Headlease deposits		–	–	–	2.8	2.8
Accrued income		1.7	–	–	–	1.7
Trade and other receivables		0.2	–	–	–	0.2
Interest rate derivatives		–	0.1	–	–	0.1
		<u>200.3</u>	<u>0.1</u>	<u>–</u>	<u>2.8</u>	<u>203.2</u>
Financial liabilities						
Fixed rate secured debt	5.1%	(418.8)	(135.2)	(387.2)	–	(941.2)
Floating rate secured debt	2.0%	(2.1)	(74.7)	–	–	(76.8)
Headlease liabilities		(0.5)	(0.5)	(1.6)	(7.4)	(10.0)
Accrued interest		(7.9)	–	–	–	(7.9)
Trade payables and accruals and other payables		(5.3)	–	–	–	(5.3)
Interest rate derivatives	1.3%	(0.2)	(0.1)	–	–	(0.3)
		<u>(434.8)</u>	<u>(210.5)</u>	<u>(388.8)</u>	<u>(7.4)</u>	<u>(1,041.5)</u>
31 March 2023	Effective interest rate	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Financial assets						
Cash and cash equivalents	0.2%	36.7	–	–	–	36.7
Headlease deposits		–	–	–	2.8	2.8
Amounts due from group undertakings		134.7				134.7
Interest rate caps		0.8	4.7			5.5
Trade and other receivables		1.2	–	–	–	1.2
		<u>173.4</u>	<u>4.7</u>	<u>–</u>	<u>2.8</u>	<u>180.9</u>
Financial liabilities						
Fixed rate secured debt	4.6%	(53.0)	(61.8)	(352.1)	–	(466.9)
Floating rate secured debt	4.6%	(13.2)	–	(113.0)	–	(126.2)
Headlease liabilities		(0.1)	(0.2)	(0.5)	(30.2)	(31.0)
Other financial liabilities		(1.6)	(1.5)	(4.5)	(248.7)	(256.3)
Accrued interest		(4.4)	–	–	–	(4.4)
Trade payables and accruals and other payables	–	(7.4)	–	–	–	(7.4)
		<u>(79.7)</u>	<u>(63.5)</u>	<u>(470.1)</u>	<u>(278.9)</u>	<u>(892.2)</u>

Inflation risk

Inflation risk arises from the impact of inflation on the SIR Group's income and expenditure. 57 per cent. (2021: 58 per cent.) of the SIR Group's contractual passing rent before concessions at 31 March 2023 is subject to inflation-linked rent reviews, though those rents are subject to nil or upwards review, never downwards. 41 per cent. (2021: 41 per cent.) of contractual passing rent before concessions is subject to fixed rental uplifts and is not exposed to fluctuations in the inflation rate, with 2 per cent. (2021: 1 per cent.) subject to upwards only open market rent reviews. As a result, the SIR Group is not exposed to any fall in rent in deflationary conditions. Given the high proportion of inflation-linked rental income, inflationary conditions present an opportunity in terms of increasing revenues.

In November 2020, the UK Government and UK Statistics Authority announced changes to RPI such that it will align with the Consumer Prices Index ("CPIH") from February 2030. The exact impact on the RPI clauses in the SIR Group's leases will depend on precisely how the UK Statistics Agency implements the change. On a downside basis, if rents were to follow CPIH which has been on average 0.9 percentage points lower than RPI over the past ten years and assuming a differential continues, the rent uplifts from 2030 onwards would be lower than they would otherwise have been. However, the SIR Group's lease provisions may provide protection so that there would be no change in some or all cases. In the event that rental uplifts do change from 2030, any valuation impact in such circumstances would be expected to be insignificant as the market tends not to differentiate materially between RPI and CPIH lease structures, with the other property characteristics carrying greater weight in establishing pricing.

The SIR Group is exposed to inflation risk on its running costs, which (with the exception of any advisory and incentive fees, the calculation of which is based on EPRA NAV as described in note 27b)) could increase in inflationary conditions. These costs totalled £2.0 million (2021: £2.0 million) in the current year (20 per cent. (2021: 13 per cent.) of total administrative expenses) and therefore the impact of any significant increase in inflation on the financial results or position of the SIR Group would be relatively limited.

c) **Capital risk management in respect of the financial year**

The Board's primary risk management objective when monitoring capital is to preserve the SIR Group's ability to continue as a going concern, while ensuring it remains within its secured debt covenants to safeguard shareholders' equity and avoid financial penalties. Borrowings are secured on each of five (2021: six) property portfolios by way of fixed charges over property assets, over the shares in the parent company of each ring-fenced borrower subgroup, and also by floating charges on the assets of the relevant subsidiary companies within each distinct subgroup. The suitability of the extent of asset cover in the secured facilities forms a key part of debt negotiations and ongoing monitoring.

At 31 March 2023 and 31 December 2021, the capital structure of the SIR Group consisted of secured debt (note 17), cash and cash equivalents (note 14), and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves described in notes 22 and 23).

In managing the SIR Group's capital structure, the Board considers the SIR Group's cost of capital. In order to maintain or adjust the capital structure, the Board keeps under review the amount of any dividends or other returns to shareholders and monitors the extent to which the issue of new shares, repurchases of share capital or the realisation of assets may be advisable or required.

Details of significant accounting policies are disclosed in the accounting policies in note 2. This includes the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument.

19 Headlease liabilities

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

	31 December 2021	31 March 2023
	£m	£m
<i>Minimum headlease payments</i>		
Within one year	2.0	2.0
Between one and five years	7.8	8.0
More than five years	164.6	163.8
	<u>174.4</u>	<u>173.8</u>
Less future finance charges	(143.8)	(142.8)
	<u>30.6</u>	<u>31.0</u>

The earliest expiry date of all the headlease obligations is in more than five years. All but £0.5 million (2021: £0.5 million) of the minimum headlease payments due within one year are recoverable from occupational tenants.

The SIR Group's accounting policy for headleases is disclosed in note 2d).

20 Other financial liabilities

Other financial liabilities in respect of amounts payable on the merlin income strip leasehold properties are as follows:

	31 December 2021	31 March 2023
	£m	£m
<i>Minimum payments under income strip</i>		
Within one year	–	8.2
Between one and five years	–	35.0
More than five years	–	1,045.1
	<u>–</u>	<u>1,088.3</u>
Less future finance charges	–	(832.0)
	<u>–</u>	<u>256.3</u>

During the year, the SIR Group entered into the sale of a 65-year income strip of Alton Towers and Thorpe Park in October 2022 for £257 million. The sale price represented a net initial yield of 2.96 per cent. NIY on 30 per cent. of the annual rental income. The structure comprised selling the freehold in the properties to a UK institutional investor, with 999-year leases granted back to the Company pursuant to which the Company pays an annual aggregate rent of £8.2 million, representing 30 per cent. of the annual rental income received from the tenant. The Company can acquire the freehold back for £1 in year 65. The obligations in relation to this transaction amount to £256.3m at the year end and the balance is classified separately from leasehold liabilities as an other financial liability. Of this balance £1.6 million is due within one year and £254.7 million is due in more than one-year.

The SIR Group's accounting policy for other financial liabilities is disclosed in note 2d).

21 Deferred tax liability

The deferred tax liability relates entirely to unrealised gains on the SIR Group's German investment properties.

	Year to 31 December 2021 £m	Period to 31 March 2023 £m
At the start of the year	11.9	8.0
Deferred tax charge from investment property revaluation, net of tax depreciation	4.5	0.9
Deferred tax credit from revision of assessment	(7.7)	–
Net credit to the income statement (note 9)	(3.2)	0.9
(Credit)/charge to other comprehensive income	(0.7)	0.6
At the end of the year	8.0	9.5

The SIR Group has significant tax losses of over £90 million (2021: £95.8 million) available for offset against future profits of the residual business. £12.1 million (2021: £12.1 million) of these tax losses relate to the Company. A deferred tax asset has not been recognised in respect of any of these losses due to the uncertainty of realising future taxable profits in the residual business.

The SIR Group's accounting policy for deferred tax is disclosed in note 2f).

22 Share capital

Share capital represents the aggregate nominal value of fully paid ordinary shares of 10 pence each in issue.

	Year to 31 December 2021 Number	Period to 31 March 2023 Number
At the start of the year	324,035,146	324,035,146
At the end of the year	324,035,146	324,035,146

23 Reserves

The share premium reserve represents the surplus of the gross proceeds of share issues over the nominal value of the shares, net of the direct costs of those equity issues.

Retained earnings represent the cumulative profits and losses recognised in the income statement, together with any amounts transferred or reclassified from the SIR Group's share premium reserve and other reserves, less dividends paid.

Other reserves represent:

- the cumulative exchange gains and losses on translation of foreign earnings and net assets;
- the cumulative gains or losses on effective cash flow hedging instruments; and
- the impact on equity of any shares to be issued after the balance sheet date, as described in note 27d), under the terms of the incentive fee arrangements.

Movements in other reserves comprise:

	<i>Currency translation differences £m</i>	<i>Cash flow hedging instruments £m</i>	<i>Shares to be issued £m</i>	<i>Total £m</i>
Year to 31 December 2021				
At the start of the year	5.4	(1.7)	–	3.7
Currency translation movements	(3.6)	–	–	(3.6)
Fair value of derivatives (note 13)	–	1.6	–	1.6
	<u>–</u>	<u>1.6</u>	<u>–</u>	<u>1.6</u>
Other comprehensive (loss)/income	(3.6)	1.6	–	(2.0)
	<u>(3.6)</u>	<u>1.6</u>	<u>–</u>	<u>(2.0)</u>
At the end of the year	<u>1.8</u>	<u>(0.1)</u>	<u>–</u>	<u>1.7</u>
Period to 31 March 2023				
At the start of the period	1.8	(0.1)	–	1.7
Currency translation movements	4.2	–	–	4.2
Fair value of derivatives (note 13)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Other comprehensive income	4.2	–	–	4.2
	<u>4.2</u>	<u>–</u>	<u>–</u>	<u>4.2</u>
At the end of the period	<u>6.0</u>	<u>(0.1)</u>	<u>–</u>	<u>5.9</u>

24 Operating leases

The majority of the SIR Group's assets are investment properties leased to third parties under non-cancellable operating leases. The weighted average remaining lease term at 31 March 2023 is 31.3 years (2021: 30.0 years), the increase reflecting a number of lease extensions in the Leisure portfolio during the year, and there are no tenant break options. The leases contain either fixed or minimum uplifts, or upwards only inflation-linked uplifts, alongside periodic upwards only open market reviews and variable income on 2 per cent. (2021: 1 per cent.) of the SIR Group's contractual passing rent.

Future minimum rents receivable are as follows:

	<i>31 December 2021 £m</i>	<i>31 March 2023 £m</i>
Within one year	117.6	122.1
Between one and five years	483.3	512.3
More than five years	4,407.2	4,698.1
	<u>5,008.1</u>	<u>5,332.5</u>

The SIR Group's accounting policy for operating leases is disclosed in note 2d).

25 Net asset value per share

Net asset value ("NAV") per share is calculated as the net assets of the SIR Group attributable to shareholders divided by the number of shares in issue at the end of each year.

	<i>31 December 2021 £m</i>	<i>Pence per share</i>	<i>31 March 2023 £m</i>	<i>Pence per share</i>
Basic and diluted NAV	1,369.8	422.7	1,550.6	478.5

Basic and diluted figures are the same due to there being no outstanding share options.

26 Reconciliation of changes in financial liabilities arising from financing activities

	Secured debt due within one year (note 17) £m	Secured debt due in more than one year (note 17) £m	Headlease liabilities (note 19) £m	Other financial liabilities (note 20) £m	Interest payable (note 16) £m	Derivatives (note 13) £m	Total £m
Year to							
31 December 2021							
At the start of the year	5.0	916.6	28.7	–	8.0	1.7	960.0
<i>Cash flows:</i>							
Interest and finance costs paid	–	–	(1.8)	–	(45.3)	(0.6)	(47.7)
Scheduled repayment of secured debt	(7.3)	–	–	–	–	–	(7.3)
<i>Non-cash movements:</i>							
Finance costs in the income statement	2.3	–	1.8	–	45.1	0.8	50.0
Finance costs in other comprehensive income	–	–	–	–	–	(1.6)	(1.6)
Increase in headlease liabilities	–	–	2.0	–	–	–	2.0
Revaluation movement in headlease liabilities	–	–	(0.1)	–	–	–	(0.1)
Currency translation movements	–	(4.2)	–	–	–	–	(4.2)
Reclassifications	373.8	(373.8)	–	–	0.1	(0.1)	–
At the end of the year	<u>373.8</u>	<u>538.6</u>	<u>30.6</u>	<u>–</u>	<u>7.9</u>	<u>0.2</u>	<u>951.1</u>

	Secured debt due within one year (note 17) £m	Secured debt due in more than one year (note 17) £m	Headlease liabilities (note 19) £m	Other financial liabilities (note 20) £m	Interest payable (note 16) £m	Derivatives (note 13) £m	Total £m
Period to							
31 March 2023							
At the start of the year	373.8	538.6	30.6	–	7.9	0.2	951.1
<i>Cash flows:</i>							
Interest and finance costs paid	–	(4.7)	(0.3)	(3.7)	(42.8)	–	(51.5)
New debt drawn	–	282.5	–	–	–	–	282.5
Scheduled repayment of secured debt	(5.3)	–	–	–	–	–	(5.3)
Loan arrangement fees paid	–	–	–	–	(5.4)	–	(5.4)
Unscheduled repayment of secured debt	(371.4)	(232.0)	–	–	–	–	(603.4)
Other financial liability arising from income strip disposal	–	–	–	257.0	–	–	257.0
New derivatives purchased	–	–	–	–	–	(8.4)	(8.4)
Receipt from derivatives closed out	–	–	–	–	–	23.1	23.1
<i>Non-cash movements:</i>							
Finance costs in the income statement	2.5	4.3	0.7	3.7	44.8	0.7	56.7
Revaluation movement on headlease liabilities	–	–	–	(0.7)	–	–	(0.7)
Gain on cap close out	–	–	–	–	–	(16.8)	(16.8)
Revaluation movement on derivatives	–	–	–	–	–	(4.0)	(4.0)
Currency translation movements	(0.4)	2.2	–	–	(0.1)	(0.3)	1.4
Reclassifications	128.5	(128.5)	–	–	–	–	–
At the end of the year	<u>127.7</u>	<u>462.4</u>	<u>31.0</u>	<u>256.3</u>	<u>4.4</u>	<u>(5.5)</u>	<u>876.3</u>

27 Related party transactions

a) *Relationship between Company and Investment Adviser*

The Investment Advisory Agreement sets out the terms of the relationship between the Company and the Investment Adviser, including services to be provided and the calculation of the advisory fee and any incentive fee. The agreement has a termination date in December 2025 and neither party to the agreement has any contractual renewal right. The agreement may be terminated in certain circumstances which are summarised on page 59 of the March 2016 Secondary Placing Disclosure Document which is available in the Investor Centre of the Company's website. It includes a right for the Company to terminate the agreement without compensation in the event of an unremedied breach by the Investment Adviser or a change of control of the Company, and a right for the Investment Adviser to terminate the agreement in the event of a change of control of the Company. The maximum termination fee is four times the previous quarter's advisory fee, with any such termination payment designed to cover the cost of redundancies and wind down costs that may be required following the Investment Adviser's loss of the management of the SIR Group.

Following the merger between Secure Income Reit and LXi Reit plc completing on 6 July 2022 the management agreement was cancelled at no cost to the SIR Group.

b) **Basis of calculation of fees**

EPRA introduced new methods of calculation of EPRA net asset value with effect from 1 January 2020. In considering that change, the Remuneration Committee concluded that, in order for the calculation of the advisory and incentive fees to remain consistent with the way that those fees had been calculated since the Company's listing in 2014 and as set out in the Investment Advisory Agreement, the fees would continue to be calculated on the basis of the EPRA NAV methodology in place at the time of the agreement. That basis is set out in the EPRA Guidance issued in 2016, referred to in these financial statements as "2016 basis EPRA NAV".

The fees are calculated every quarter, on the basis of the simple average NAV over the quarter.

The management fees ceased to be paid from 6 July 2022 following the merger with LXi Reit Plc.

c) **Advisory fees payable**

Advisory fees payable to the Investment Adviser are calculated as:

- 1.25 per cent. per annum on NAV for the purposes of advisory fee calculations up to £500 million, plus
- 1.0 per cent. per annum on NAV for the purposes of advisory fee calculations between £500 million and £1 billion, plus
- 0.75 per cent. per annum on NAV for the purposes of advisory fee calculations between £1 billion and £1.5 billion, plus
- 0.5 per cent. per annum on NAV for the purposes of advisory fee calculations over £1.5 billion.

During the year, advisory fees of £7.5 million (2021: £12.4 million) plus VAT were payable in cash, of which £nil was outstanding as at the balance sheet date (2021: £0.1 million).

d) **Incentive fee**

The Investment Adviser may become entitled to an incentive fee intended to reward growth in Total Accounting Return ("TAR") above an agreed benchmark and to maintain strong alignment of the Investment Adviser's interests with those of shareholders. TAR is measured as growth in 2016 basis EPRA NAV per share plus dividends paid in the year.

The fee entitlement is calculated annually on the basis of the SIR Group's audited financial statements, with any fee payable settled in shares in the Company (subject to certain limited exceptions, none of which have yet applied). Sales of these shares are restricted (save for certain limited exceptions), with the restriction lifted on a phased basis over a period from 18 to 42 months from the date of issue. Shares may be released from the sale restriction in the event that shares need to be sold to settle the tax liability on the receipt of those shares, although this exemption has never been requested.

The incentive fee is calculated by reference to growth in TAR: if that growth exceeds a hurdle rate of 10 per cent. per annum since the last year in which an incentive fee was earned, an incentive fee equal to 20 per cent. of this excess is payable in shares to the Investment Adviser. In the event of an incentive fee being payable, a high water mark is established, represented by the 2016 basis EPRA NAV per share at the end of the relevant financial year, after the impact of the incentive fee, which is then the starting point for the cumulative hurdle calculations for future periods. The hurdle is set at the higher of the 2016 basis EPRA NAV at the start of the year plus 10 per cent. or the high water mark 2016 basis EPRA NAV plus 10 per cent. per annum. In this way, the incentive fee is never rebased as a result of a year of low or negative growth, maintaining strong alignment of management and shareholder interests. Dividends or other distributions paid in any period are treated as payments on account against achievement of the hurdle rate of return. The incentive fee payable in any year is subject to a cap of 5 per cent. of 2016 basis EPRA NAV, save for a fee payable in the event of a change of control of the Company which is uncapped.

The incentive fee was not triggered during the period of the contract which was cancelled on 6 July 2022 following the merger with LXi Reit plc.

e) **Dividends paid to related parties and key management personnel**

	Year to 31 December 2021 £m	Period to 31 March 2023 £m
Prestbury Incentives Limited†	2.9	1.6
Nick Leslau*	2.8	1.4
Mike Brown	0.2	0.1
Prestbury Investment Partners Limited†	0.2	0.1
Other Directors (Sandy Gumm, Martin Moore, Ian Marcus, Jonathan Lane and Leslie Ferrar)	0.1	0.1
	<u>6.2</u>	<u>3.3</u>

† Nick Leslau, Mike Brown and Sandy Gumm are shareholders and directors of both Prestbury Investment Partners Limited and the parent undertaking of Prestbury Incentives Limited, together with other key management personnel, Tim Evans and Ben Walford. Other senior members of the Prestbury team also have equity interests in those companies.

* comprising dividends from 16,850,300 ordinary shares held by an entity in which Nick Leslau has a 95 per cent. indirect interest and 1,491,709 shares held by a company which he wholly owns.

f) **Amounts due from Group undertakings**

After the merger in July 2022, the Secure Income Reit Group became part of the larger LXi Reit Plc Group.

The SIR Group's treasury function is managed at the LXi Reit Plc level and so cash where available is swept up the group to the ultimate parent company for use in the Groups working capital.

During the year this cash repatriation totalled £134.7 million, this left a balance receivable to the SIR Group from LXi Reit Plc of £134.7 million (2021: £nil).

28 Events after the balance sheet date

The wider LXi Reit Plc Group completed a significant refinancing programme on 24 April 2023 with a new, £565 million secured, interest-only debt facility with a syndicate of banks comprising a number of the Company's existing lenders. This meant that the following SIR Group loans were repaid:

- A fixed rate, interest only 'Budget hotels 1' facility of £59.0 million with M&G. The facility had a fixed all-in rate payable of 2.71 per cent. pa, for the duration of the loan term and was due for repayment in October 2023.
- A mixed rate, interest only 'Budget hotels 2' facility with M&G of £65.4 million, £52.2 million of which was fixed at an all-in rate of 3.25 per cent. pa and £13.2 million was SONIA linked with a margin of 2.32 per cent. The SIR Group used interest rate derivatives to cap the interest on the floating elements of the facility at a total of 3.75 per cent. The loan was due for repayment in April 2023.
- A EURIBOR linked floating rate 'Merlin B' facility with Blackstone of €60.2 million. The facility had a margin of 3.45 per cent., was capped at an all-in rate of 4.95 per cent. pa and was due for repayment in March 2025. The loan had two one-year extension options.

On 6 June 2023, the Company paid an interim dividend of 0.7715 pence per share amounting to £250.0 million.

On 10 November 2023 the SIR Group agreed a two-year extension of the £60 million HSBC facility, taking the expiry date of the facility out to December 2026. The facility has a margin of 2.05 per cent. and there is currently a cap in place until December 2024 meaning an all-in interest cost of 4.55 per cent. The SIR Group expects to hedge the cost of the extended term of the HSBC Facility in due course.

On 8 January 2024, the SIR Group announced that it has exchanged contracts unconditionally on the sale of 66 Travelodge branded hotels to the Travelodge group for £210 million, which is in line with the latest (30 September 2023) book value. Completion of the sale is scheduled to occur on 28 February 2024.

29 Controlling parties

On 11 May 2022, the Company announced the terms of the proposed Merger of the Company with LXi REIT plc. Voting from respective shareholder groups demonstrated overwhelming support for the merger, which completed on 6 July 2022.

The Company was acquired on a share for share basis, with a 25 per cent. cash alternative, 100 per cent. of the shares of Secure Income REIT plc. The operations of SIR plc 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 Exchange Ratio (the number of LXi shares that SIR shareholders would receive per share) was based on the adjusted and unaudited EPRA NTA per LXi Share as at 31 March 2022 of 143.4 pence and the adjusted and unaudited EPRA NTA per SIR Share as at 31 March 2022 of 475.5 pence. Both net asset values were based on independent valuations as at 31 March 2022. A partial cash alternative was made available under which SIR Shareholders could elect to receive cash instead of some LXi shares up to a maximum of 25 per cent. of their entitlements.

As such from 6 July 2022 the immediate parent company is LXi Reit plc, there is no ultimate controlling party of LXi Reit plc due to its listing on the London Stock exchange.

Part B: Accountant's report on the historical financial information of the SIR Group for the fifteen month period ended 31 March 2023



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6 February 2024

Dear Sir or Madam

Secure Income REIT plc (“SIR”) and its subsidiary undertakings (together, the “SIR Group”)

Introduction

We report on the financial information set out in Part A of Part 7 of the Appendix of the combined prospectus and circular dated 6 February 2024 of the Company (the “Prospectus”) for the fifteen-month period ended 31 March 2023.

For these purposes, we have not audited or reviewed the financial information for the year ended 31 December 2021, which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the SIR Group as at 31 March 2023 and of its results, cash flows and changes in equity for the fifteen-month period ended 31 March 2023 in accordance with International Accounting Standards as adopted by the United Kingdom and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Accounting Standards as adopted by the United Kingdom.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules and item 1.3 of Annex 3 of the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of preparation

This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 to the financial information. This report is required by item 13.5.21R of the Listing Rules and item 11.2.1 of Annex 3 of the PR Regulation and is given for the purpose of complying with that item and for no other purpose.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Company and the SIR Group in accordance with the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions relating to going concern

We have not identified any material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the ability of the SIR Group to continue as a going concern for a period of at least twelve months from the date of the Prospectus. Accordingly, the use by the directors of the Company of the going concern basis of accounting in the preparation of the financial information is appropriate.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and this report makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 3 of PR Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

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

