

Registered number: 10648443

LXI PROPERTY HOLDINGS 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022



LXI PROPERTY HOLDINGS 1 LIMITED

COMPANY INFORMATION

Directors	Stephen Arthur Hubbard (resigned 11 March 2022) Simon Lee Jamie Nigel Beale (resigned 11 March 2022) Frederick Joseph Brooks
Company secretary	Sanne Fund Services (UK) Limited
Registered number	10648443
Registered office	6th Floor 125 London Wall London England EC2Y 5AS
Independent auditors	BDO LLP 55 Baker Street London England W1U 7EU
Solicitors	Stephenson Harwood LLP 1 Finsbury Circus London England EC2M 7SH
Independent valuer	Knight Frank LLP 55 Baker Street London England W1U 8AN

LXI PROPERTY HOLDINGS 1 LIMITED

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LXI PROPERTY HOLDINGS 1 LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

Business review

LXi Property Holdings 1 Limited is a fully owned subsidiary of LXI REIT plc. The Company's strategy is the same as the group's strategy. The investment objective of the Company is to deliver inflation protected income and capital growth over the medium term for shareholders through investing in a diversified portfolio of UK property that benefits from long-term index-linked leases with institutional-grade tenants.

The Company's performance over the 12-month period has remained robust. The results for the Company show a profit for the year of £ 34,961,510 (2021: £ 7,859,984) which includes a change in fair value of investment property of £ 27,651,837 (2021: £ (1,462,792)). As at 31 March 2022, Knight Frank valued the property portfolio at £222,925,000 (2021: £195,325,000). The Company is in a net asset position of £ 305,851,360 at 31 March 2022 (2021: £ 270,889,850). The Directors are satisfied that the financial statements have been prepared on a going concern basis. For further disclosure see the going concern section of the Director's Report.

Since the reopening of the UK economy, inflation has picked up significantly and CPI averaged 10.1% pa and RPI averaged 12.3% pa in July 2022. The possibility for continued higher inflation, represents an opportunity for the Company to generate superior returns for investors, given the inflation linkage in our portfolio rent reviews and the long-term lease arrangements. That said, levels of inflation that are currently being experienced in the UK could, over the longer-term, cause rents in the portfolio to grow to the point where they materially exceed equivalent market rental values, as well as potentially resulting in unsustainable rental growth for tenants or less attractive properties to alternative operators due to profit erosion.

The Investment Advisor protects against this risk in a number of ways, including (i) capped and fixed rental uplifts giving the tenant (and the Group) certainty of rental growth, (ii) regularly entering brand new leases at very low rents through forward fundings and sale and leaseback that provide a higher level of rent cover and are therefore better able to withstand rental growth, (iii) constant recycling of capital into new assets to refresh the portfolio and maintain a low spread to market rents, and (iv) focussing on well capitalised tenants with a high proportion of freehold ownership and lower exposure to rents that are better able to ride out such inflationary periods. The successful implementation of these strategies is evident in the consistency of the portfolio passing rents with market rents, with the spread less than 1% across the portfolio.

Principal risks and uncertainties

The Company is part of a larger group. As such, the fundamental underlying risks for this company are those of the LXI REIT plc group and can be found in the group annual report. These include:

- Macro economic challenges
- Covid-19 global pandemic
- Geopolitical risk
- Tenant default risk
- Competition for properties
- Property valuation
- Compliance risks
- Dependence on the Investment Advisor
- Climate-related risks

LXI PROPERTY HOLDINGS 1 LIMITED


**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Covid-19

The Company has delivered strong and resilient financial performance in the year which saw the easing of lockdown restrictions and gradual reopening of those businesses that had suffered enforced closure in the UK in response to the pandemic. The portfolio has demonstrated its ability to withstand periods of uncertainty through defensive positioning and it has performed robustly, continuing to deliver growth and income to shareholders in the year.

As we continue to emerge from the pandemic, the long-term structural support and the strength of our tenants in those sectors most impacted by Covid-19 should begin to see an unwinding of the valuation losses and provide the Company with the potential for further value growth.

This report was approved by the Board on 06 September 2022 and signed on its behalf.

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Frederick Joseph Brooks
Director

LXI PROPERTY HOLDINGS 1 LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022**

The Directors present their report and the financial statements for the year ended 31 March 2022.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The Company was incorporated on 2 March 2017. The Company's principal activity is a property investment company investing in UK Real Estate.

Directors

The Directors who served during the year were:

Stephen Arthur Hubbard (resigned 11 March 2022)
Simon Lee
Jamie Nigel Beale (resigned 11 March 2022)
Frederick Joseph Brooks

LXI PROPERTY HOLDINGS 1 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Going concern and subsequent events

After reviewing the liquidity, forecasts and projections which have been tested with different levels of reduced rent recovery, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The assumptions in preparing these forecasts have considered the potential impacts of the Covid-19 crisis reviewing cash reserves and committed spending. The Company therefore adopts the going concern basis in preparing its financial statements based on the Company's and wider Group's cash balance and available liquidity as well as the surplus in rental income after administrative, legal and financing costs.

No significant events have occurred after 31 March 2022 to the date the Directors approved the Financial Statements.

Disclosure of information to auditors


Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 06 September 2022 and signed on its behalf.

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Frederick Joseph Brooks
Director

LXI PROPERTY HOLDINGS 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LXI PROPERTY HOLDINGS 1 LIMITED

Opinion on the financial statements

We have audited the financial statements of LXI Property Holdings 1 Limited (the 'Company') for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 are independent of the 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, 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.

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 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

LXI PROPERTY HOLDINGS 1 LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LXI PROPERTY HOLDINGS 1 LIMITED
(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 Auditors' 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.

Other Companies Act 2006 reporting

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 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Directors' Responsibilities Statement set out on page 3, 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 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.

LXI PROPERTY HOLDINGS 1 LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LXI PROPERTY HOLDINGS 1 LIMITED
(CONTINUED)**

Auditors' 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 Auditors' 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:

- We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, including The UK Real Estate Investment Trust ("REIT") regime, and considered the risk of acts by the Company 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 Company's external adviser, detailing the actions that the Company 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 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.

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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

LXI PROPERTY HOLDINGS 1 LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LXI PROPERTY HOLDINGS 1 LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the 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 Company's members those matters we are required to state to them in an Auditors' 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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Thomas Edward Goodworth (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date: 06 September 2022

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

LXI PROPERTY HOLDINGS 1 LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £	Restated to FRS 102 2021 £
Turnover		10,182,846	10,385,303
Gross profit		10,182,846	10,385,303
Administrative expenses	5	(8,308)	(11,642)
Operating profit		10,174,538	10,373,661
Change in fair value of investment property	10	27,651,837	(1,462,792)
Realised losses on investment property disposals		-	(76,329)
Interest receivable and similar income	6	-	1,289
Interest payable and expenses	7	(2,864,865)	(2,918,513)
Gain on refinancing		-	1,942,668
Profit before tax		34,961,510	7,859,984
Profit for the financial year		34,961,510	7,859,984
Total comprehensive income for the year		34,961,510	7,859,984

The notes on pages 13 to 27 form part of these financial statements.

LXI PROPERTY HOLDINGS 1 LIMITED
REGISTERED NUMBER: 10648443

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	2022 £	2021 £
Fixed assets			
Investments in subsidiaries	9	172,721,419	172,721,820
Investment property	10	222,925,000	195,114,740
		<u>395,646,419</u>	<u>367,836,560</u>
Current assets			
Debtors: amounts falling due after one year	11	-	193,050
Debtors: amounts falling due within one year	11	69,575,076	56,563,183
Cash at bank and in hand	12	6,040,119	5,683,798
		<u>75,615,195</u>	<u>62,440,031</u>
Creditors: amounts falling due within one year	13	(73,639,766)	(67,816,842)
Net current assets/(liabilities)		<u>1,975,429</u>	<u>(5,376,811)</u>
Total assets less current liabilities		<u>397,621,848</u>	<u>362,459,749</u>
Creditors: amounts falling due after more than one year	14	(91,770,488)	(91,569,899)
Net assets		<u><u>305,851,360</u></u>	<u><u>270,889,850</u></u>
Capital and reserves			
Called up share capital	16	5,996	5,996
Share premium account	17	234,732,137	234,732,137
Retained earnings		71,113,227	36,151,717
		<u><u>305,851,360</u></u>	<u><u>270,889,850</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 06 September 2022

DocuSigned by:
Freddie Brooks
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Frederick Joseph Brooks
 Director

The notes on pages 13 to 27 form part of these financial statements.

LXI PROPERTY HOLDINGS 1 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Share capital £	Share premium account £	Retained earnings £	Total equity £
At 1 April 2021	5,996	234,732,137	36,151,717	270,889,850
Comprehensive income for the year				
Profit for the year	-	-	34,961,510	34,961,510
At 31 March 2022	5,996	234,732,137	71,113,227	305,851,360

The notes on pages 13 to 27 form part of these financial statements.

LXI PROPERTY HOLDINGS 1 LIMITED

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £	Share premium account £	Retained earnings £	Total equity £
At 1 April 2020	5,996	234,732,137	28,291,733	263,029,866
Comprehensive income for the year				
Profit for the year	-	-	7,859,984	7,859,984
At 31 March 2021	5,996	234,732,137	36,151,717	270,889,850

The notes on pages 13 to 27 form part of these financial statements.

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. General information

The financial statements of LXI Property Holdings 1 Limited (the "Company") for the year ended 31 March 2022 were authorised for issue by the Board of Directors on 06 September 2022.

The Company is a registered private company incorporated in the England and Wales with registration number 10648443. The address for the registered office is 6th Floor, 125 London Wall, London, England, EC2Y 5AS. The Company's principal activity is the investment of real estate in the UK. The Company is owned by its ultimate parent company, LXI REIT plc.

These financial statements are contained within the group consolidated financial statements of LXI REIT plc. The group consolidated financial statements may be obtained from the Company Secretary at 6th Floor, 125 London Wall, London, England, EC2Y 5AS.

These financial statements represent the separate financial statements of the Company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements had previously been prepared in accordance with FRS 101 and information on the impact of first-time adoption of FRS 102 is given in Note 24. The Company has changed its basis of preparation for the year ended 31 March 2022 because the LXI REIT plc group has completed the acquisition of Secure Income REIT plc and its subsidiaries, and has therefore opted to align the basis of preparation for the subsidiaries of the enlarged group.

Information on the impact of first-time adoption of FRS 102 is given in note 24.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. Details of the significant judgements and estimates are provided in note 3.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of section 7 Statement of Cash Flows

This information is included in the consolidated financial statements of LXI REIT plc as at 31 March 2022 and these financial statements may be obtained from 6th Floor, 125 London Wall, London, England, EC2Y 5AS.

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)**2.2 Going concern**

After reviewing the liquidity, forecasts and projections which have been tested with different levels of reduced rent recovery, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The assumptions in preparing these forecasts have considered the potential impacts of the Covid-19 crisis reviewing cash reserves and committed spending. The Company therefore adopts the going concern basis in preparing its financial statements based on the Company's and wider Group's cash balance and available liquidity as well as the surplus in rental income after administrative, legal and financing costs.

2.3 Currency

The Company financial information is presented in Sterling which is also the Company's functional currency.

2.4 Investment in subsidiaries

The investment in subsidiaries are included in the Statement of Financial Position at cost less any provision for impairment.

2.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost, being the fair value of the consideration given, including expenditure that is directly attributable to the acquisition of the investment property. Subsequent to initial recognition, investment property is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in Statement of Comprehensive Income for the period in which they arise.

Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure. All other property expenditure such as 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 recognised in the Statement of Comprehensive Income in the period in which the property is derecognised.

Deferred acquisition costs represent costs incurred on investment properties which were acquired after the period and subsequently capitalised.

Significant accounting judgements, estimates and assumptions made in the valuation of investment properties are discussed in note 3.

2.6 Rental income

Rental income from investment property is recognised on a straight-line basis over the expected term of ongoing leases. Lease incentives and step rents with minimum uplifts are spread evenly over the expected lease term.

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Accounting policies (continued)

2.7 Taxation

Taxation on the profit or loss for the period not exempt under UK REIT regulations is comprised of 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 balance sheet 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 balance sheet date.

2.8 Trade and other receivables

Trade and other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognised at fair value, and subsequently where necessary re-measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence the Company will not be able to collect all amounts due in accordance with the original terms of the receivables. Balances are written off to the Statement of Comprehensive Income when the probability of recovery is assessed as being remote.

2.9 Trade and other payables

Trade and other payables are classified as current liabilities if payment is due within one year or less from the end of the current accounting period. If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost until settled.

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial information:

- **Leases - The Company 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 Company 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 statement of financial position. Rental income from operating leases is recognised on a straight line basis over the expected term of the relevant leases.

- **Fair valuation of investment properties**

The Company uses the valuation carried out by its Independent Valuer as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income and appropriate capitalisation rate. The Independent Valuer makes reference to market evidence of transaction prices for similar properties.

The Company's properties have been independently valued by Knight Frank LLP (the "Independent Valuer") in accordance with 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").

4. Turnover

	2022	Restated to FRS 102 2021
	£	£
Rental income from investment property	10,034,566	9,115,649
Lease incentives	148,280	1,261,362
Other property Income	-	8,292
	<u>10,182,846</u>	<u>10,385,303</u>

Revenue includes amounts receivable in respect of property rental income and is measured at the fair value of the consideration received or receivable. Rental income is derived from investment properties and is recognised on a straight line basis over the expected term of the relevant leases.

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

5. Administrative expenses

	2022 £	2021 £
Legal and professional fees	4,522	4,001
Administration and Company Secretarial	3,786	7,641
	<u>8,308</u>	<u>11,642</u>

The fee payable to the auditor in respect of the financial statements is borne by the ultimate parent undertaking. Fees payable to the Company's auditor for services other than the statutory audit of the company are not disclosed in the Company's financial statements since the consolidated accounts of LXI REIT plc are required to disclose non-audit fees on a consolidated basis.

6. Interest receivable and similar income

	2022 £	2021 £
Interest on cash held at bank	-	1,289
	<u>-</u>	<u>1,289</u>

7. Interest payable and similar expenses

	2022 £	2021 £
Bank charges	126	211
Interest payable on bank borrowings	2,601,860	2,691,725
Amortisation of loan arrangement fees	262,879	226,577
	<u>2,864,865</u>	<u>2,918,513</u>

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

8. Taxation

	2022 £	2021 £
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

Reconciliation of the total tax charge

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

	2022 £	Restated to FRS 102 2021 £
Profit on ordinary activities before tax	34,961,511	7,859,984
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	6,642,687	1,493,397
Effects of:		
REIT exempt income	(1,388,838)	(1,215,467)
Revaluation of investment properties	(5,253,849)	(277,930)
Total tax charge for the year	-	-

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

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

9. Investment in subsidiaries

	2022	2021
	£	£
Opening balance	172,721,820	172,798,150
Disposals during the year	(401)	(76,330)
Closing balance	172,721,419	172,721,820

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
LXI Property Holdings 2 Limited	England and Wales	Investment in UK real estate	Ordinary Shares	100%
FPI Co 223 Limited	England and Wales	Investment in UK real estate	Ordinary Shares	100%
Alco 1 Limited*	England and Wales	Investment in UK real estate	Ordinary Shares	100%

* Alco 1 Limited is wholly owned by LXI Property Holdings 2 Limited.

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

10. Investment property

	2022	Restated to FRS 102 2021
	£	£
Opening balance	195,114,740	183,093,275
Property acquisitions	10,143	12,146,565
Property disposals	-	76,330
Tenant lease incentives	148,280	1,261,362
Change in fair value during the year	27,651,837	(1,462,792)
Closing balance	222,925,000	195,114,740

In accordance with FRS 102, the investment properties has been independently valued at fair value by Knight Frank LLP ("KFL"), an accredited external valuer with recognised and relevant professional qualifications and recent experience in the location and category of the investment properties being valued, however the valuations are the ultimate responsibility of the Directors.

As at 31 March 2022 KFL valued the entire LXi Property Holdings 1 Limited property portfolio at £222,925,000 (31 March 2021: £195,325,000).

As at 31 March 2022 the historic cost of the property is £181,059,424 (31 March 2021: £181,049,280).

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

10. Investment property (continued)

	2022	Restated to FRS 102 2021
	£	£
Investment property at fair value	222,925,000	195,114,740
Capital commitments (note 19)	-	210,260
Vendor discount in respect of rent	-	-
Licence fee receivable	-	-
Rental top-ups	-	-
Total portfolio valuation	222,925,000	195,325,000

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

Vendor discounts in respect of rent free periods represent amounts by which a purchase price was reduced by the vendor on acquisition of forward funded developments to cover future rent free periods of the lease. The valuation assumes the property to be income generating through the lease and therefore includes this income in the valuation.

Licence fee receivable represents 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.

Capitalised acquisition costs recognised in fair value relates to costs incurred for the acquisition of property holding companies that are deemed to be asset acquisitions rather than business combinations. The acquisition costs of subsidiaries meeting the criteria for asset acquisitions have therefore been recognised in the Company. These costs are not included in the portfolio valuation of the Company.

LXI PROPERTY HOLDINGS 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11. Debtors

	2022 £	2021 £
Due after more than one year		
Trade debtors	-	193,050
	<u>-</u>	<u>193,050</u>
	2022 £	2021 £
Due within one year		
Trade debtors	914,692	1,089,909
Amounts owed by group undertakings	68,577,899	55,428,141
Other debtors	82,485	45,133
	<u>69,575,076</u>	<u>56,563,183</u>

12. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	5,941,855	5,583,185
Cash held by lawyers	98,264	100,613
Total cash and cash equivalents	<u>6,040,119</u>	<u>5,683,798</u>

13. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	44,514	27,880
Amounts owed to group undertakings	70,653,125	65,040,535
VAT payables	506,162	481,390
Other creditors	38,625	7,154
Accruals and deferred income	2,397,340	2,259,883
	<u>73,639,766</u>	<u>67,816,842</u>

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

14. Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Loan drawdown	95,000,000	95,000,000
Less: Unamortised costs	(3,229,512)	(3,430,101)
	<u>91,770,488</u>	<u>91,569,899</u>

15. Loans

Analysis of the maturity of loans is given below:

	2022	2021
	£	£
Amounts falling due after more than 5 years		
Bank loans	95,000,000	95,000,000
	<u>95,000,000</u>	<u>95,000,000</u>

On 4 July 2017 the Company announced a 12-year, fixed rate, interest only loan facility of £55 million with Scottish Widows Limited. The facility has a fixed all-in rate payable of 2.74% per annum, for the duration of the 12 year loan term.

On 12 December 2017 the Company announced an additional 11.5 year, fixed rate, interest only loan facility of £40 million with Scottish Widows Limited. The facility has a fixed all-in rate payable of 2.74% per annum, for the duration of the loan term.

On 2 November 2020, the Company announced a restructuring to 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

The Company has remained compliant with the covenants throughout the period up to the date of this report. The facilities are secured against certain investment property in the Company.

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

16. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
5,996 (2021: 5,996) Ordinary Shares shares of £1.00 each	5,996	5,996

Share capital represents the nominal value of share capital subscribed for.

17. Share premium

	2022	2021
	£	£
Opening balance	234,732,137	234,732,137
Closing balance	234,732,137	234,732,137

Share premium relates to amounts subscribed for share capital in excess of nominal value.

18. Operating leases

At 31 March 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	2021
	£	£
Not later than 1 year	7,067,176	10,581,884
Later than 1 year and not later than 5 years	29,152,433	41,522,072
Later than 5 years	120,925,612	194,700,537
	157,145,221	246,804,493

All of the Company's leases:

- are on full repairing and insuring terms, meaning the tenants are responsible for repair, maintenance and outgoings;
- provide for fixed rents (rather than turnover rents), which review on an upward only basis (either annually or five yearly). The vast majority have rent reviews directly linked to inflation or on a fixed basis; and
- have long contractual terms.

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

19. Capital commitments

The Company has no capital commitments in relation to the cost to complete its forward funded pre-let development assets as at 31 March 2022 (2021: £210,260). All commitments fall due for settlement within one year from the date of this report.

20. Parent company guarantees

On 4 July 2017 the Company announced a 12-year, fixed rate, interest only loan facility of £55 million with Scottish Widows Limited. On 12 December 2017 the Company announced an additional 11.5 year, fixed rate, interest only loan facility of £40 million with Scottish Widows Limited, acting in partnership with Lloyds Bank Commercial Banking. The Parent Company has given a full guarantee of both facilities to the lender.

21. Post balance sheet events

No significant events have occurred after 31 March 2022 to the date the Directors approved the Financial Statements.

22. Related party transactions

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings not to disclose any transactions with entities that are included in the consolidated financial statements of its ultimate parent undertaking, LXi REIT plc.

23. Controlling party

The Company is wholly owned by its immediate parent LXi REIT plc, a company incorporated in England and Wales. LXi REIT plc is the ultimate holding company which is the first and most senior parent that produces consolidated financial statements. There is no ultimate controlling party.

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

24. First time adoption of FRS 102

For the year ended 31 March 2022 the Company has changed its accounting framework from Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 to Financial Reporting Standard 102. The date of this transition is 1 April 2020 and as such, the Company is required to prepare a restated Income Statement and Balance Sheet for the year ended 31 March 2021. Where the impact of transition has resulted in a material change from the figure presented under FRS 101, this is shown below:

	As previously stated 31 March 2021 £	Effect of transition 31 March 2021 £	FRS 102 (as restated) 31 March 2021 £
Fixed assets	367,836,559	-	367,836,559
Current assets	62,440,032	-	62,440,032
Creditors: amounts falling due within one year	(67,816,842)	-	(67,816,842)
Net current liabilities	(5,376,810)	-	(5,376,810)
Total assets less current liabilities	362,459,749	-	362,459,749
Creditors: amounts falling due after more than one year	(91,569,899)	-	(91,569,899)
Net assets	270,889,850	-	270,889,850
Capital and reserves	270,889,850	-	270,889,850

LXI PROPERTY HOLDINGS 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

24. First time adoption of FRS 102 (continued)

	As previously stated 31 March 2021 £	Effect of transition 31 March 2021 £	FRS 102 (as restated) 31 March 2021 £
Turnover	11,344,812	(959,509)	10,385,303
	<hr/>	<hr/>	<hr/>
	11,344,812	(959,509)	10,385,303
Administrative expenses	(11,642)	-	(11,642)
	<hr/>	<hr/>	<hr/>
Operating profit	11,333,170	(959,509)	10,373,661
Change in fair value of investment property	(2,422,301)	959,509	(1,462,792)
Realised (losses) on investment property disposals	(76,329)	-	(76,329)
Interest receivable and similar income	1,289	-	1,289
Interest payable and similar charges	(2,918,513)	-	(2,918,513)
Gain on refinancing	1,942,668	-	1,942,668
	<hr/>	<hr/>	<hr/>
Profit on ordinary activities after taxation and for the financial year	7,859,984	-	7,859,984
	<hr/>	<hr/>	<hr/>

The adjustments in respect of investment property relate to the difference in accounting for leases under FRS 101 and FRS 102.