LXI REIT PLC

INITIAL ACCOUNTS

FOR THE PERIOD FROM 21 DECEMBER 2016 TO 30 SEPTEMBER 2017

COMPANY NO.10535081

LXI REIT PLC
Report and Financial Statements
For the period ended 30 September 2017

Contents	**Pages**

LXI REIT PLC
Officers and Professional Advisers
For the period ended 30 September 2017

The Board of Directors	Stephen Hubbard Colin Smith OBE Jeannette Etherden John Cartwright
Company secretary	PraxisIFM Fund Services (UK) Ltd Mermaid House 2 Puddle Dock London EC4V 3DB
Registered office	Mermaid House 2 Puddle Dock London EC4V 3DB
Auditor	BDO LLP 55 Baker Street London W1U 7EU

LXI REIT PLC
Statement of Directors' Responsibilities
For the period ended 30 September 2017

Statement of Directors' responsibilities

The Directors are responsible for preparing the initial accounts and the financial statements in accordance with applicable law and regulations. They are required to be properly prepared within the meaning of S839(4) of the Companies Act 2006.

Under the law the Directors have elected to prepare the initial financial information in accordance with applicable law and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board as adopted by the European Union ("EU").

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- prepare the initial accounts on the going concern basis unless it is inappropriate to presume that the Company will continue business;

The Directors confirm they have complied with all the above requirements in preparing the initial financial information.

The Directors are responsible for keeping proper 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

....
Stephen Hubbard
Director

Signed by order of the Board on 23 November 2017
LXI REIT PLC

Registered office:
Mermaid House
2 Puddle Dock
London
EC4V 3DB

Company Registration Number: 10535081

LXI REIT PLC
Independent Auditor's Report to the Directors of LXI REIT PLC
For the period ended 30 September 2017

Report of the independent auditor to the directors of LXI REIT PLC under section 839(5) of the Companies Act 2006

We have examined the initial accounts of LXI REIT PLC for the period from 21 December 2016 to 30 September 2017, which comprise the statement of comprehensive income, the statement of financial position, statement of changes in equity, statement of cash flows, and the related notes. The initial accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's directors, as a body, in accordance with section 839(5) of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's directors 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 company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the directors are responsible for the preparation of the initial accounts in accordance with applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board as adopted by the European Union.

Our responsibility is to report to you our opinion as to whether the initial accounts have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

Opinion

In our opinion the initial accounts for the period from 21 December 2016 to 30 September 2017 have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

BDO LLP

Thomas Edward Goodworth (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

23 November 2017

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

LXI REIT PLC
Statement of Comprehensive Income

	Note	21 December 2016 to 30 September 2017 £
Income		
Rental income	3	198,487
Other income		1,855
Total Income		**200,342**
Operating expenses		
General and administrative expenses	4	(618,397)
Total Expenses		**(618,397)**
Change in fair value of investment property	8	636,860
Operating Profit		**218,805**
Finance income	5	46
Finance costs	6	(1,339)
Profit for the period before tax		**217,512**
Taxation	7	-
Comprehensive income for the period		**217,512**

All items in the above statement derive from continuing operations.

The notes on pages 8 to 19 form part of these financial statements.

LXI REIT PLC
Statement of Financial Position

	Note	As at 30 September 2017 £
Non-Current assets		
Investment property	8	6,500,000
Investment in subsidiaries	9	74,132,777
Total non-current assets		**80,632,777**
Current Assets		
Trade and other receivables	10	48,418,093
Cash and cash equivalents	11	6,875,480
Total current assets		**55,293,573**
Total Assets		**135,926,350**
Current liabilities		
Trade and other payables	12	321,838
Total current liabilities		**321,838**
Total liabilities		**321,838**
Net assets		**135,604,512**
Capital and Reserves		
Share capital	14	1,381,500
Share premium account	15	-
Capital reduction reserve	16	134,005,500
Retained earnings		217,512
Total capital and reserves attributable to equity holders of the company		**135,604,512**

The financial statements were approved by the Board of Directors on 23 November 2017 and signed on their behalf by:

Stephen Hubbard
Chairman

Company Registration Number: 10535081

The notes on pages 8 to 19 form part of these financial statements.

LXI REIT PLC
Statement of Changes in Equity

For the period ended 30 September 2017	Note	Share capital account	Share premium account	Capital reduction reserve	Retained earnings	Total equity attributable to owners of the company
		£	£	£	£	£
Share capital issued	14	1,381,500	136,768,500	-	-	138,150,000
Share issue costs	15	-	(2,763,000)	-	-	(2,763,000)
Cancellation of share premium	16	-	(134,005,500)	134,005,500	-	-
Comprehensive income for the period		-	-	-	217,512	217,512
Balance at 30 September 2017		**1,381,500**	**-**	**134,005,500**	**217,512**	**135,604,512**

The notes on pages 8 to 19 form part of these financial statements.

LXI REIT PLC
Statement of Cash Flow

	Note	For the period ended 30 September 2017 £
Cash flows from operating activities		
Profit before tax		217,512
Finance income		(46)
Finance cost		1,339
Less: Change in fair value of investment property	8	(636,860)
Operating result before working capital changes		**(418,055)**
Increase in trade and other receivables	10	(23,063)
Increase in trade and other payables	12	211,554
Net cash flow used in operating activities		**(229,564)**
Cash flows from investing activities		
Purchase of investment properties	8	(5,863,140)
Investment in subsidiary	9	(122,417,523)
Interest income	5	46
Net cash used in investing activities		**(128,280,617)**
Cash flows from financing activities		
Proceeds from issue of share capital	14, 15	138,150,000
Share issue costs	15	(2,763,000)
Finance costs	6	(1,339)
Net cash generated from financing activities		**135,385,661**
Net increase in cash and cash equivalents		**6,875,480**
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	11	**6,875,480**

The notes on pages 8 to 19 form part of these financial statements.

1. General information

LXI REIT PLC (the "Company") is a closed ended Real Estate Investment Trust ("REIT") incorporated in the UK on 21 December 2016. The Company's registration number is 1053508. The registered office of the Company is located at Mermaid House, 2 Puddle Dock, London, EC4V 3DB.

The Company's shares are listed on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange.

2. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. The policies have been consistently applied throughout the period.

2.1. Basis of preparation of financial statements

These financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU IFRS").

Changes to accounting standards and interpretations

The following new accounting 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 Company's future financial statements:

- IFRS 9 Financial Instruments effective after 1 January 2018. The standard will replace IAS 39 Financial Instruments and contains two primary measurement categories for financial assets.
- IFRS 15 Revenue from contracts effective 1 January 2018. The standard replaces IAS 11 Construction Contracts and IAS 18 Revenue. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time.
- IFRS 16 Leases effective on or after 1 January 2019 introduction of a single, on-balance sheet accounting model for leases which refers primarily to accounting for lessees.

The Directors are currently assessing the impact on the financial statements of the standards listed above; however at present they do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's financial statements in the period of initial application, other than on presentation and disclosure.

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

2.2. Significant accounting judgements and estimates

The preparation of financial statements in accordance with the principles of EU IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. 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 in the future. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. 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:

2. Accounting policies (continued)

2.2. Significant accounting judgements and estimates (continued)

- **Valuation of investment properties**

The valuation of the Company's investment property is at fair value as determined by the independent valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Global Standards 2017, incorporating the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015) and in accordance with IFRS 13 and IAS 40.

The independent valuer in forming its opinion make a series of assumptions, which are typically market related, such as net initial yields and expected rental values and are based on the independent valuer's professional judgement. The independent valuer has sufficient current local and national knowledge of the particular property markets involved and has the skills and understanding to undertake the valuations competently.

2.3. Summary of significant accounting policies

The principal accounting policies applied in the presentation of these financial statements are set out below.

a) Presentation and functional

The primary objective of the Company is to generate returns in Sterling, its capital-raising currency. The Company's performance is evaluated in Sterling. Therefore, the Directors consider Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and it has therefore adopted as the presentation and functional currency.

b) Finance income and expense

Finance income is recognised as interest accrues on cash balances held by the Company. Finance costs consist of interest and other costs that the Company incurs in connection with bank and other borrowings. These costs are expensed in the period in which they occur.

c) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, cash held by lawyers and short-term deposits with an original maturity of three months or less.

d) Capital management

The Company's objectives when managing capital are to safeguard the Company'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.

e) Receivables and prepayments

Other receivables are recognised at their original invoiced value. Where the time value of money is material, receivables are discounted and then held at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

f) Other payables and accrued expenses

Other payables and accrued expenses are initially recognised at fair value and subsequently held at amortised cost.

2. Accounting policies (continued)

2.3. Summary of significant accounting policies (continued)

g) Taxation

Taxation on the profit or loss for the period not exempt under UK REIT regulations would comprise of current and deferred tax. Tax would be recognised in the statement of comprehensive income except to the extent that it relates to items recognised as direct movement in equity, in which case it would be 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.

h) Investment in subsidiaries

The investments in subsidiary companies are included in the Company's statement of financial position at cost less provision for impairment.

i) Dividend payable to shareholders

Dividends to the Company's shareholders are recognised as a reduction in equity in the financial statements in the period in which the dividends are approved.

j) Share issue costs

The costs of issuing or reacquiring equity instruments of the Company are accounted for as a deduction from equity.

k) Leases

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 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.

2.4. 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. After initial recognition, investment property is stated at its fair value at the balance sheet date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise in the statement of comprehensive income.

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.

2.5. Fair Value hierarchy

In accordance with IFRS 13, the Company recognises investment properties at fair value at each balance sheet date in accordance with IFRS 13 which recognises a variety of fair value inputs depending upon the nature of the investment. Specifically:

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. Please see note 8.

3. Net rental income	21 December 2016 to 30 September 2017 £
Rental income from investment property	178,643
Lease incentive	19,844
Total net rental income	**198,487**

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.

Incentives for lessees to enter lease arrangements are spread evenly over the expected period of the lease, even if payments are not made on that basis.

4. General and administrative expenses	21 December 2016 to 30 September 2017 £
Investment advisory fees	319,739
Legal and professional fees	128,110
Directors' fees	76,932
Fees paid to the Auditor of the Company	35,000
Abortive costs	21,155
Administration and Company Secretarial	11,855
Depository fees	9,594
Advertising and marketing	7,959
Employer's National Insurance Contributions	6,110
Other costs	1,943
Total general and administrative expenses	**618,397**

Fees paid to the Auditor of the Company relate to Initial Accounts audit fees of £15,000 and fees paid for audit procedures billed in advance of the year end of £20,000. In addition to these fees the Company has incurred additional costs of £92,250 from the auditors related to the admission on the London Stock Exchange which have been treated as a reduction in Equity as share issue costs (note 15).

On 27 February 2017 LXI REIT Advisors Limited ("LRA") was appointed as the investment advisor of the Company by entering into the Investment Advisory Agreement with the Company. Under this agreement, the Investment Advisor will advise the Company in relation to the management, investment and reinvestment of the assets of the Company.

4. General and administrative expenses (continued)

The investment advisory fees shall be an amount 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 cent. per calendar month of Market Capitalisation up to or equal to £500 million; and

(b) One-twelfth of 0.65 per cent per calendar month of Market Capitalisation above £500 million. No performance fee is payable to the Investment Advisor.

The appointment of the investment advisor shall continue in force unless and until terminated by either party giving to the other not less than 12 months' written notice, such notice not to expire earlier than 27 February 2022.

5. Finance income	21 December 2016 to 30 September 2017
	£
Bank Interest received	46
Total finance income	**46**

6. Finance cost	21 December 2016 to 30 September 2017
	£
Bank charges	1,339
Total finance cost	**1,339**

7. Taxation	21 December 2016 to 30 September 2017
	£
Tax charge comprises:	
Analysis of charge in the period	
Profit before tax	217,512
Theoretical tax at UK corporation tax standard rate of 19%	**41,327**
Adjusted for:	
Gains not taxable	**(120,946)**
REIT exempt losses	**79,619**
Total taxation	-

8. Investment property

	Freehold *investment* property
	£
Property acquisitions in the period	5,843,296
Tenant lease incentives (note 3)	19,844
Change in fair value of investment property	636,860
Fair value at 30 September 2017	**6,500,000**

8. Investment property (continued)

In accordance with IAS 40: Investment property, the investment property 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 of the location and category of the investment property being valued, however the valuations are the ultimate responsibility of the Directors.

KFL valued the entire LXI REIT PLC Company property portfolio at £6,500,000 as at 30 September 2017.

All corporate acquisitions during the period have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

The Company investment policy is to target inflation-protected income and capital returns through acquiring a diversified portfolio of UK property assets, let or pre-let to a broad range of tenants with strong covenants on very long and index-linked leases.

The Company will neither undertake any direct development activity nor assume direct development risk. However, the Company may invest in fixed-price forward funded developments, provided they are pre-let to an acceptable tenant and full planning permission is in place. In such circumstances, the Company will seek to negotiate the receipt of immediate income from the asset, such that the developer is paying the Company a return on its investment during the construction phase and prior to the tenant commencing rental payments under the terms of the lease.

The Company will focus on delivering capital growth by holding the Portfolio over the long term and therefore it is unlikely that the Company will dispose of any part of its Portfolio. In the unlikely event that a part of the Portfolio is disposed of, the Directors intend to reinvest proceeds from such disposals in assets in accordance with the Company's investment policy.

On 27 February LXI REIT Advisors Limited ("LRA") was appointed as the investment advisor of the Company by entering into the Investment Advisory Agreement with the Company.

Under this agreement, the Investment Advisor will advise the Company and provide certain management services in respect of the property portfolio.

The Investment Advisor is entitled to a monthly fee. Please refer to note 4 for further details.

The appointment of the investment advisor shall continue in force unless and until terminated by either party giving to the other not less than 12 months' written notice, such notice not to expire earlier than 27 February 2022.

The Company classifies all assets measured at fair value as below:

Fair value hierarchy

	Date of valuation	Total	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)
Assets measured at fair value:		£	£	£	£
Investment property (note 8)	30 September 2017	6,500,000	-	-	6,500,000

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

8. Investment property (continued)

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

Valuation techniques: market value method
Under the market value method, the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Unobservable input: passing rent
The rent at which space could be let in the market conditions prevailing at the date of valuation (£347,021). Passing rents are dependent upon a number of variables in relation to the Company's property. These include: 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 (5.0%).

Sensitivities of measurement of significant unobservable inputs
As set out within significant accounting estimates and judgements above, the Company's property portfolio valuation is open to judgements and is inherently subjective by nature.

As a result the following sensitivity analysis has been prepared:

	-5% in passing rent	+5% in passing rent	+0.25% in net initial yield	-0.25% in net initial yield
	£	£	£	£
(Decrease)/increase in the fair value of investment property as at 30 September 2017	(335,842)	313,017	(319,806)	329,374

9. Investment in subsidiaries

LXI REIT PLC, incorporated in the UK has the following direct and indirect subsidiary undertakings as at 30 September 2017, which operate and are incorporated in the UK.

	21 December to 30 September 2017 £
Additions in the period	74,132,777
Investments carried forward	**74,132,777**

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%
FPI CO 116 Limited	Property Investment	UK	100%
FPI CO 118 Limited	Property Investment	UK	100%
FPI CO 119 Limited	Property Investment	UK	100%
FPI CO 120 Limited	Property Investment	UK	100%
FPI CO 133 Limited	Property Investment	UK	100%
FPI CO 135 Limited	Property Investment	UK	100%
FPI CO 136 Limited	Property Investment	UK	100%
FPI CO 137 Limited	Property Investment	UK	100%
FPI CO 138 Limited	Property Investment	UK	100%
FPI CO 139 Limited	Property Investment	UK	100%
FPI CO 144 Limited	Property Investment	UK	100%
FPI CO 146 Limited	Property Investment	UK	100%
FPI CO 148 Limited	Property Investment	UK	100%

10. Trade and other receivables

	As at 30 September 2017 £
Amounts due from subsidiary undertakings – repayable on demand	48,395,030
Recoverable VAT	19,563
Prepayments	3,500
Total receivables and prepayments	**48,418,093**

11. Cash and cash equivalents

	As at 30 September 2017 £
Cash at bank	1,006,755
Cash held in escrow account	5,868,725
Total cash and cash equivalents	**6,875,480**

Cash held in escrow account represents monies held by lawyers for payments expected to be incurred in relation to investment properties pending completion.

12. Trade and other payables

	As at 30 September 2017 £
Amounts due to subsidiary undertakings – repayable on demand	110,284
Trade and other payables	105,940
Accruals	100,005
Prepaid rent	5,609
Total other payables and accrued expenses	321,838

13. Financial risk management

The Company is exposed to market risk, 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 Board of Directors reviews and agrees policies for managing each of these risks that are summarised below.

- **Market risk**

The Company's activities will expose it primarily to the market risks associated with changes in property values.

Risk relating to investment in property
Investment in property is subject to varying degrees of risk. Some factors that affect the value of the investment in property include:

- changes in the general economic climate;
- competition for available properties;
  obsolescence; and
- Government regulations, including planning, environmental and tax laws.

Variations in the above factors can affect the valuation of assets held by the Company and its subsidiaries and as a result can influence the financial performance of the Company.

- **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 Company intends to reduce the interest rate risk on any external borrowings of the Group by fixing the rate of interest payable.

- **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company will be exposed to credit risks from 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 will arise 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 the counterparties are banks with high credit ratings.

- **Liquidity risk**

The Company manages its liquidity and funding risks by considering cash flow forecasts and ensuring sufficient cash balances are held within the Company 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 Company ensures, through forecasting of capital requirements, that adequate cash is available.

13. Financial risk management (continued)

The following table details the Company's liquidity analysis in respect of its trade and other payables:

As at 30 September 2017	Carrying amount	< 3 months	3-12 months	1-5 years	> 5 years
Amounts due to subsidiary - repayable on demand	110,284	110,284	-	-	-
Trade and other payables	105,940	105,940	-	-	-
Accruals	100,005	100,005	-	-	-
	316,229	**316,229**	-	-	-

14. Share Capital

	As at 30 September 2017 £
Authorised:	
138.15 million ordinary shares of £0.01 each	1,381,500
Issued and fully paid:	
138.15 million ordinary shares of £0.01 each	1,381,500

The Company achieved admission to the premium listing segment of the Official List of the London Stock Exchange on 27 February 2017 through an initial issue of 1 £1 ordinary share and 50,000 £1 redeemable preference shares classified as liabilities, raising £138.15 million. The redeemable preference shares were subsequently redeemed at par and cancelled. As a result of the IPO, at 27 February 2017, 138,149,999 shares at £0.01 per share have been issued and fully paid.

15. Share premium account

	As at 30 September 2017 £
Share premium arising on ordinary shares issued in relation to equity issuance	136,768,500
Share issue costs	(2,763,000)
Transfer to capital reduction reserve (note 16)	(134,005,500)
Balance at end of period	-

In the board meeting on 27 January 2017 a resolution was passed authorising, conditional on Admission, the amount standing to the credit of the share premium account of the Company (less any issue expenses set off against the share premium account) to be cancelled and the amount of the share premium account so cancelled be credited to the capital reduction reserve. This is a distributable reserve which is capable of being applied in any manner in which the Company's profits available for distribution (as determined by the Companies Act 2006) are able to be applied.

In order to cancel the share premium account the Company needed to obtain a court order, which was received on 28 June 2017. The SH19 form was submitted to Companies House with a copy of the court order on 28 June 2017.

16. Capital reduction reserve

	As at 30 September 2017
	£
Balance at beginning of period	-
Transfer from share premium account (note 15)	134,005,500
Balance at end of period	**134,005,500**

17. Related party transactions

The Directors are entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. Save for the Chairman, the initial fees will be £27,500 for each Director per annum. The Chairman's initial fee will be £40,000 per annum. In addition, the Chair of the Audit Committee will receive an additional fee of £5,000 per annum and the Chair of the Management Engagement Committee will receive an additional fee of £2,500 per annum.

Each of the Directors have agreed that any fees payable to them shall, save where the Company determines otherwise, be satisfied in ordinary shares acquired at market value, such ordinary shares to be acquired off market without a new issue of shares on behalf of the Directors and for their account by the Company's broker. Any ordinary shares acquired by the Directors pursuant to these arrangements shall be subject to the terms of the Lock-in Deed.

Following the admission of the Company to the premium segment of the London Stock Exchange on 27 February 2017 and up to 30 September 2017, the Directors purchased the following number of ordinary shares:

Stephen Hubbard (Chairman) – 60,437 ordinary shares
Colin Smith (Director) – 108,378 ordinary shares
John Cartwright (Director) - 29,551 ordinary shares
Jeannette Etherden (Director) - 23,886 ordinary shares

For the period from 27 February 2017 to 30 September 2017, fees of £76,932 were incurred by the Company. At 30 September 2017, the amount of £15,715 was due to the Directors.

LXI REIT Advisors Limited ("LRA") - On 27 February 2017 LRA was appointed as the investment advisor of the Company.

For the period from 21 December 2016 to 30 September 2017, fees of £319,739 were incurred and paid to LRA. At 30 September 2017, no amounts were due to LRA at the period end.

On 27 January 2017, 50,000 £1 redeemable preference shares were issued at par to Katharine Longman who was a director of the Company. These shares were subsequently redeemed at par and cancelled on 22 February 2017.

18. Post balance sheet events

Issue of equity
On 12 October 2017 the Company has fully raised gross proceeds of £60.2 million pursuant to the issue of 58,731,707 new ordinary shares of £0.01 each in the Company under the placing programme set out in the Prospectus published by the Company in February 2017.

Director's interest
On 16 October 2017 Colin Smith (Director) has acquired 45,000 ordinary shares. Following the above transaction Colin Smith's total holding in the Company is 153,378 Ordinary Shares.

18. Post balance sheet events (continued)

Investment in subsidiary
On 25 October 2017 the Company subscribed for a further 999 shares in its subsidiary LXI Holdings 1 Limited for £54m thus capitalising the intercompany receivable at 30 September 2017 along with further amounts paid on behalf of subsidiary companies since the period end.

Dividends
On 23 November 2017, the Company declared the first dividend in respect of the period to 30 September 2017 of 1.0 pence per ordinary share totalling £1,968,817, payable on 29 December 2017 to shareholders on the register on 1 December 2017.

19. Guarantees

On 4 July 2017 a subsidiary of the Company entered into a 12 year, fixed rate, interest only loan facility of £55 million with Scottish Widows Ltd, acting in partnership with Lloyds Bank Commercial Real Estate on which the Company is a guarantor.

As at 30 September 2017 the Company's subsidiaries had exchanged on properties with substantial conditions remaining at that date for a total consideration of £22,987,419 on which the Company is a guarantor.