LXB Retail Properties Plc

Interim Report 2017

Contents

Highlights

	31 March 2017	30 September 2016
• Cash deposits:	£15.07m	£46.48m
• NAV per share:	33.63p	56.70p
• EPRA* NAV per share:	33.70p	56.70p
• Loss per share:	(5.07)p	(8.89)p

- November 2016: further cash considerations released in relation to the forward funded investments at Banbury and Sutton, completed a further disposal of land at Gloucester for £0.4m, and completed the surrender of the agreement for lease with ASDA at Willow Green Farm, Truro realising total cash proceeds of £8.5m
- November 2016: returned of surplus funds of £30.3m to Shareholders
- January 2017: completed the disposal of Neats Court Retail Park, Sheppey to Lightstone Neatscourt LLP generating cash proceeds of £11.3m
- February 2017: obtained planning consent (subject to referral to the Secretary of State for Communities and Local Government) for a revised and enhanced scheme at Rushden Lakes
- March 2017: completed the sale of substantially all of the Group's remaining land interests at Corton, Ayr to Manse LLP generating cash proceeds of £3.4m

Post period end:

- April 2017: completed two further lettings at London Road, Biggleswade generating a cash receipt of £3.2m under the terms of the sales agreement
- May 2017: completed a further disposal of land at Gloucester for net proceeds of £0.45m

* excluding fair values of financial instruments and deferred tax.

Chairman's Statement

Dear Shareholders,

I am pleased to present the Interim Report and Financial Statements for the six months ended 31 March 2017.

The Financial Statements show a reduction in Net Asset Value (NAV) per share of 5.07p after adjusting for a return of capital of 18p per share in October 2016, and I will come back to this below. However, I am aware that the focus of Shareholders is on progress towards returning the majority of the remaining value of the Group to Shareholders in cash over a relatively short timescale.

My statement of 4 April 2016 set out the Board's thinking around the final return of cash to Shareholders. The Board concluded, after detailed consideration of the alternatives and legal advice, that these proposals offered the fairest and most pragmatic outcome for all Shareholders and I am pleased to say that they were generally well received. This was reflected in the overwhelming acceptance of the timetable extension which was agreed at the Annual General Meeting held on 24 April 2017. Final proposals will be put to Shareholders by 30 November 2017 and, as previously announced, these proposals will include the transfer of assets to a NewCo, which will be a UK resident AIM listed company, pursuant to a scheme of arrangement sanctioned by the Jersey court. In connection with the proposals, NewCo will publish a prospectus and the Company will issue a scheme document setting out in full their details and terms. The scheme will provide a break from the existing Group, including in relation to Board composition, scale, residence, business, listing and structure. I would reiterate that the date referred to above is an absolute long stop and it is the Board's intention to put final proposals to Shareholders as soon as the key commercial transactions, namely going unconditional at Rushden Lakes for Phases 2 and 3 and the sale of Stafford Riverside, are in place.

Shareholders have understood the need for a continuing vehicle to optimise value and your Board is committed to ensuring an appropriate balance between the need for NewCo to have a viable independent future, not least to attract and retain a Board and Adviser team, and the desire of Shareholders to see as much of the value of the Group returned in cash as soon as practicable. In that regard I am pleased to report that terms have been agreed for the Group to access development finance for the construction of the cinema at Stafford. This borrowing will be carried forward into NewCo leaving it with a sensible loan to asset value of some 20%. This will mean that the likely value of NewCo at inception can be reduced to approximately £25m, releasing further cash to Shareholders.

Rushden Lakes

As we disclosed in the announcement dated 3 May 2017, planning progress at Rushden has now been delayed by the General Election. There is no reason to suggest that the planning permission supported unanimously by the Planning Committee of East Northants Council on 8 February 2017 will be called in for review by a new Secretary of State, it is just that we will not know definitively until after the election. This delay, followed by the statutory Judicial Review period of 6 weeks, is likely to mean that we will not be unconditional with The Crown Estate until the end of August at the earliest.

All of the anchors have now taken access and the majority of the other retailers will have taken access by the end of June following practical completion of Phase 1. We continue to make progress on lettings and on Phase 1 we are now 89% let and 4% is in solicitors' hands. We are in active discussions with potential occupiers on all the remaining seven units.

On Phase 2 we are now exchanged on a total of 66% of the floor space with a further 28% in solicitors' hands. A further unit has moved into solicitors' hands on Phase 3 taking the total space in solicitors' hands to 64%. All of the remaining space is actively under discussion.

Chairman's Statement (continued)

Stafford Riverside and Leisure

On the retail scheme, two units are in solicitors' hands and should exchange shortly and sale discussions have commenced with interested parties. On the Leisure scheme, the build contract is now in final form, albeit at a cost significantly in excess of our estimates. The target date for handover to Odeon is in Q2 2018. There are five further units to let to restaurant operators; however, marketing will not commence until much closer to practical completion of the cinema as the restaurants will be looking to the cinema to anchor that end of the scheme.

Other investments

In terms of the Group's remaining assets, two further units have been let at Biggleswade, realising a further £3.2m of cash for the Group, and one unit remains to be let. At Sutton, we have now let or are in legals on 54% of the retail space and terms have been agreed in respect of another 40% of the space, and we have commenced sale discussions. Virtually all of the Group's land interests at Willow Green, Truro and at Ayr have now been sold and a further sale at Gloucester has realised net proceeds of £0.45m, leaving one plot of land to sell. At Greenwich Brocklebank the scheme is due to reach practical completion on 7 August and this will lead to the release of the final contractual sum of approximately £1.3m. In addition, we have commenced discussions with the insurance company which issued a performance bond in respect of the previous Brocklebank contractor against which we are entitled to make a claim for up to £1.2m.

Group cash

The Group holds £19.7m of cash following the Biggleswade receipt, but is committed to spending £2.5m at Rushden Lakes in advance of planning permission being finally received in order to keep to a reasonable timetable for delivery and to ensure that the contractor's team remain on site. We are continuing to fund the build of the final phase of Sheppey, plus the surplus development cost over bank borrowing at Stafford for the leisure scheme, together with modest working capital at Higher Newham Truro. The main constraint on return of cash to Shareholders remains the bond that covers the development account at Rushden Lakes and the need to put in place similar bond type arrangements, albeit more modest in scale, for Phases 2 and 3.

We continue to make progress on the streamlining of the Group's corporate structure to reduce the burden on NewCo. However, to put the task in perspective, at present 68 legal entities remain in existence.

NAV

As I stated earlier, the NAV for the period shows a decline of 5.07p per share after adjusting for the return of capital of 18p per share. Whilst this is disappointing, it reflects the difficult markets in which we are operating, both with regard to the occupier market and in construction. In addition, we face the inevitable problems of a run-off vehicle with a very public timetable. The major components of this NAV reduction relate to increased construction costs and the knock-on impact of delays in the opening programme, as set out below:

Rushden		
Cost overruns relating to the scheme build and highways	£2.2m	1.31p
Increased tenant costs	£1.4m	0.83p
Delayed opening	£0.6m	0.36p
Stafford		
Cost overruns relating to the scheme build	£1.4m	0.83p
Valuation movement	£0.8m	0.48p
Sutton		
Valuation movement	£0.8m	0.48p
	£7.2m	4.29p

Chairman’s Statement (continued)

Administrative costs

In addition, the lack of income highlights the administrative costs of running the Group arising as a result of its structure and contraction. The current structure, which is appropriate for a much larger group, presents a significant burden in relation to the asset base and which will only become more acute over time. These ongoing costs, excluding the Investment Manager’s fees, primarily relate to the cost of the Jersey structure and the Board, and amount to over £1m pa. These overheads are largely fixed. It is therefore the Board’s intention to resign as soon as the restructuring and the transfer of assets to NewCo under the proposals is complete. It is envisaged that NewCo will have a board that is more appropriate to its scale and business going forward.

Your Board and the Investment Manager are committed to completing the proposals as quickly as possible. As and when lettings are completed and/or sales made we will review the possibility of returning further cash before any final proposals are put to Shareholders, and we look forward to the confirmation of the planning for Phases 2 and 3 at Rushden Lakes which will have a material impact bearing in mind the current NAV.

Phil Wrigley
Chairman
5 June 2017

Report of the Investment Manager, LXB Adviser LLP

LXB Adviser LLP advises LXB Retail Properties Plc ("LXB" or "the Group") and is pleased to report on the operations of the Group during the six months ended 31 March 2017 and up to the date of this report.

We continue to work towards realising the remaining value in the portfolio, with the sale of Neats Court Retail Park, Sheppey and substantially all of the Group's remaining land interests at Corton, Ayr completing in the six months to 31 March 2017. In that period, the Group also disposed of a plot of land at Gloucester and concluded an agreement whereby ASDA surrendered its leasehold interest at Willow Green Farm, Truro with another plot of land at Gloucester being sold shortly after the balance sheet date.

We provide more information on the individual investments in the Property details section of this report. However, in order to protect Shareholders' interests, we do not comment on the status of discussions on potential sales of individual investments. The Group will, of course, report the outcome of those discussions, as and when transactions conclude.

Property details

The Group's most significant investments are discussed in greater detail below.

Biggleswade

Lettings to Cotswold Outdoor and Argos were secured in April 2017 and triggered a cash receipt of approximately £3.2m with the potential for a further cash receipt when the final unit of approximately 8,000 sq ft is also let. The exact amount of that payment will depend on the terms achieved on the final letting. The final unit is being marketed, with good interest from a mix of complementary retailers, helped by the additional lettings and the strong trading performance of those retailers already on the park.

Gloucester

As announced in December 2016, one of the three residual plots of land was sold in the six months ended 31 March 2017 and a further parcel of land was sold shortly after the balance sheet date for net proceeds of £0.45m. The Group's one remaining plot comprises approximately 0.75 acres and has planning consent for commercial, showroom or trade uses. This is expected to be sold in the coming months.

Greenwich Brocklebank

Practical completion of the Group's Brocklebank investment, which was sold under an Institutional Funding Agreement to The Charities Property Fund in December 2015, was scheduled for October 2016. However, in August 2016 the main contractor, Cardy Construction Limited, went into administration. The new contractor started on site in October 2016 but the inevitable complexities of taking over from another contractor means that practical completion is now expected in August 2017.

Under the Institutional Funding Agreement, a further cash receipt is due when the scheme reaches practical completion and all of the leases have completed. As noted in the Chairman's Statement, this receipt is currently anticipated to be approximately £1.3m.

Report of the Investment Manager, LXB Adviser LLP (continued)

Property details (continued)

Rushden Lakes

This investment was sold to The Crown Estate for initial cash proceeds of £65.2m in May 2016. The sale terms provided that The Crown Estate would fund the development costs, with the Group retaining responsibility for a number of project related matters as well as for letting the remaining vacant space.

Rushden Lakes is planned in three phases. Although the highways works caused several months' delay, Phase 1 is now largely complete with only landscaping works outstanding. M&S, House of Fraser and Primark are fitting out with a view to opening in August or September when the highways works are expected to complete. 93% of the scheme is now let or in solicitors' hands.

As discussed in the Chairman's Statement, the Group does not anticipate making a meaningful start on Phase 2 until August 2017.

In terms of Phase 2 lettings, the variation to the Cineworld pre-let to account for the changes in the revised planning application completed in February 2017 and other lettings are progressing well with 94% of this part of the scheme now let or in solicitors' hands. On Phase 3, three pre-lets are in solicitors' hands.

Sheppey

In January 2017, the Group completed the sale of the Neats Court Retail Park investment to Lightstone Neatscourt LLP for £11.34m.

Construction of Phase 3, which comprises 10,000 sq ft of A3 restaurant space, is progressing well, with completion expected in early June 2017. Four units are already pre-let which equates to 72% by floor area. Discussions are ongoing with various retailers to take the remaining space which is currently configured as two units.

Stafford

Riverside retail is open, the retailers are trading well and the Group is in solicitors' hands to let two further units which would leave some 6,000 sq ft (approximately 6% of floor space) to let. Initial sale discussions have commenced.

The Leisure scheme over the river from Riverside comprises six restaurant units on the ground and first floor of the multi-storey car park, together with an 18,000 sq ft Odeon cinema and adjacent 5,000 sq ft (ground floor) restaurant unit. The six restaurant units in the multi-storey car park were completed as part of the car park. A number of the restaurant units were pre-let and indeed two tenants have now opened for trade; however, following delays in starting the cinema construction, longstop dates in three of the agreements for lease (which were linked to the cinema opening date) expired, and the prospective operators decided not to extend. The target date for opening the cinema is November 2018 and, once construction works are further advanced, the intention is to start marketing the space to operators who can plan opening to coincide with the cinema opening.

As noted in the Chairman's Statement, the price of the build contract, which is about to be signed, is more than was envisaged and this has negatively impacted value in the period. Now that the build contract is final, the RBS development facility to support the construction of the cinema and the adjacent restaurant can be finalised and practical completion is scheduled for May 2018.

Report of the Investment Manager, LXB Adviser LLP (continued)

Property details (continued)

Sutton

The Group's remaining interest in Sutton is the long leasehold on the 27,000 sq ft ground floor retail units beneath the two residential towers. Three units are pre-let (13,800 sq ft of available space) and two of the tenants have taken access, with the other due to take access in July. Discussions are ongoing about the remaining space and an announcement is expected in this regard shortly.

Truro Threemilestone

In December 2016 an agreement was concluded whereby ASDA surrendered its leasehold interest in the foodstore at Willow Green Farm, Truro.

The Group retains some residual land interests and assets in relation to the planning permission achieved and is considering the best way to realise value from those assets. In light of the corporate strategy to crystallise assets and return capital to Shareholders one of the land options was not renewed when it lapsed in February 2017.

Living Villages – Truro, Higher Newham

It is anticipated that the land interests at Higher Newham Farm, which have consent for a Living Villages type scheme, will be transferred to NewCo as part of the scheme of arrangement referred to in the Chairman's Statement.

Revaluation deficit and loss on sale of investment properties

As described in note 9 to the Interim Report, the investment properties held by the Group at 31 March 2017 were valued by the Group's external property valuers, JLL. In their opinion the fair value of these investment properties at that date was £59.7m, resulting in a revaluation deficit for the period of £3.4m. The components of this deficit, which are largely down to cost increases at Stafford and reduced rent assumptions on vacant space at Sutton, are set out in more detail in the Chairman's Statement.

The Group has also recognised a loss on sale of investment properties of £4.4m in the period. Again, the broad make-up of this reduction in NAV is summarised in the Chairman's Statement, but is mostly a result of the highways delays and increased tenant costs at Rushden.

Accounting treatment of forward funded construction activities

Under the terms of the sale of a number of the Group's investments, the buyer funds the development with the Group overseeing the works. The Group recharges the costs associated with the relevant forward funding agreement plus a 1% fee on the main contractor's costs. As explained previously, following consultation with the Group's auditors, the appropriate accounting treatment for these arrangements is to include the amounts receivable from the buyer (in respect of each reporting period) in gross revenue and to include the costs incurred by the Group (in respect of each reporting period) in direct costs. The relevant amounts for the period are disclosed in note 4 to the Interim Report.

Report of the Investment Manager, LXB Adviser LLP (continued)

Basis of preparation

Following Shareholder approval on 29 February 2016, the Directors are proceeding with the plans for an orderly realisation of the Group's remaining investments, with the majority of the value to be returned to Shareholders in cash in the foreseeable future. As a result, the Directors have concluded that it continues to be appropriate not to adopt a going concern basis of preparation in these interim financial statements. Readers of the accounts should be aware that, as was the case at 30 September 2016, the Group's investment properties are classified in the Group Balance Sheet as current assets "held for sale" rather than non-current assets. No other material adjustments arose as a result of ceasing to apply the going concern basis in either the current period or the prior year.

Cash position and expenditure

During the six months to 31 March 2017, £8.6m of cash was deployed in the purchase of and capital expenditure on investment properties.

At the balance sheet date the Group had £15.1m of cash.

Tim Walton
On behalf of LXB Adviser LLP
5 June 2017

Auditor's independent review report

to LXB Retail Properties Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements included within this Interim Report for the six months ended 31 March 2017 which comprises the Group Income Statement, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Cash Flow Statement and the related notes.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the Interim Report in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM and the rules for companies trading securities on the Channel Islands Securities Exchange. These rules require that the Interim Report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this Interim Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the AIM and the rules for companies trading securities on the Channel Islands Securities Exchange and for no other purpose. No person is entitled to rely on this report unless such a person is entitled to rely on 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.

Auditor's independent review report

to LXB Retail Properties Plc (continued)

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. 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 Ireland) 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.

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 Interim Report for the six months ended 31 March 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, the rules of the London Stock Exchange for companies trading securities on the AIM and the rules for companies trading securities on the Channel Islands Securities Exchange.

Emphasis of Matter

Without modifying our conclusion, we draw your attention to note 2 in the condensed set of financial statements. It is the Directors' intention to bring the Group's activities to a close through either a voluntary liquidation or other reconstruction or reorganisation following the return of surplus cash to Shareholders. Accordingly, the condensed set of financial statements have not been prepared on a going concern basis.

BDO LLP

BDO LLP
Chartered Accountants
London
United Kingdom

5 June 2017

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

Group income statement
for the period ended 31 March 2017

	Note	Unaudited six months to 31 March 2017 £	Unaudited six months to 31 March 2016 £	Audited year to 30 September 2016 £
Gross revenue	4	**37,055,626**	**22,049,045**	**85,240,791**
Direct costs	4	(36,218,224)	(21,026,429)	(82,072,537)
Net revenue and gross profit		**837,402**	**1,022,616**	**3,168,254**
Administrative expenses:				
Corporate administrative expenses		(3,008,766)	(5,287,136)	(8,225,838)
Cost of property activities		-	-	(73,081)
Total administrative expenses		(3,008,766)	(5,287,136)	(8,298,919)
Other property-related transactions:	5			
Amounts receivable in respect of the cancellation of certain contractual arrangements		4,834,117	-	23,919,222
Impairment arising as a result of the cancellation of certain contractual arrangements		(2,770,730)	-	(24,934,262)
Net surplus/(deficit) in respect of the cancellation of certain contractual arrangements		2,063,387	-	(1,015,040)
Investment property revaluation deficit	10	(3,405,499)	(835,877)	(6,816,643)
(Loss)/profit on sale of investment properties		(4,363,654)	2,971,275	(703,005)
Other income		10,461	152,466	183,368
Operating loss		**(7,866,669)**	**(1,976,656)**	**(13,481,985)**
Finance income	6	10,637	16,591	56,492
Finance costs	6	(536,712)	(769,912)	(1,719,202)
Loss before tax		**(8,392,744)**	**(2,729,977)**	**(15,144,695)**
Taxation charge	7	(137,559)	(125,391)	(187,215)
Loss for the period		**(8,530,303)**	**(2,855,368)**	**(15,331,910)**

Loss per share		**Pence per share**	**Pence per share**	**Pence per share**
Basic and diluted	8	**(5.07)**	**(1.62)**	**(8.89)**

As described in note 2, the Group is in the process of performing an orderly realisation of its investments.

There were no items of other comprehensive income in the current period or prior year and therefore the loss for the period also reflects the Group's total comprehensive loss for the period.

The notes on pages 16 to 32 form part of this Interim Report.

Group statement of changes in equity
for the period ended 31 March 2017

Period ended 31 March 2017 (unaudited)	Stated capital	Retained earnings	Total
	£	£	£
At 1 October 2016 (audited)	71,766,495	23,698,642	95,465,137
Loss for the period	-	(8,530,303)	(8,530,303)
Transactions with owners:			
The Third Return of Cash (see note 17):			
- Redemption of "B" shares inclusive of costs	(19,877,139)	-	(19,877,139)
- Dividends	-	(10,437,898)	(10,437,898)
At 31 March 2017 (unaudited)	**51,889,356**	**4,730,441**	**56,619,797**

Period ended 31 March 2016 (unaudited)	Stated capital	Retained earnings	Total
	£	£	£
At 1 October 2015 (audited)	132,288,457	57,355,270	189,643,727
Loss for the period	-	(2,855,368)	(2,855,368)
Transactions with owners:			
Own shares purchased for cancellation inclusive of costs (see note 17)	(14,760,502)	-	(14,760,502)
At 31 March 2016 (unaudited)	**117,527,955**	**54,499,902**	**172,027,857**

The notes on pages 16 to 32 form part of this Interim Report.

Group balance sheet
at 31 March 2017

	Note	Unaudited as at 31 March 2017 £	Unaudited as at 31 March 2016 £	Audited as at 30 September 2016 £
Non-current assets				
Investment properties	10	-	202,123,800	-
Derivative financial assets	16	-	4,003	-
		-	**202,127,803**	**-**
Current assets				
Business and other receivables	11	23,710,436	38,250,017	44,910,099
Cash and cash equivalents	12	15,074,593	11,156,542	46,481,520
		38,785,029	**49,406,559**	**91,391,619**
Investment properties – held for sale	10	58,991,080	-	73,170,186
		97,776,109	**49,406,559**	**164,561,805**
Total assets		**97,776,109**	**251,534,362**	**164,561,805**
Current liabilities				
Business and other payables	13	(15,239,085)	(14,666,813)	(38,847,185)
Borrowings	14	(25,722,372)	(42,059,903)	(30,098,071)
Income tax creditor		(83,492)	(101,715)	(151,412)
		(41,044,949)	**(56,828,431)**	**(69,096,668)**
Deferred taxation associated with investment properties – held for sale		(111,363)	-	-
		(41,156,312)	**(56,828,431)**	**(69,096,668)**
Non-current liabilities				
Borrowings	15	-	(22,678,074)	-
		-	**(22,678,074)**	**-**
Total liabilities		**(41,156,312)**	**(79,506,505)**	**(69,096,668)**
Net assets		**56,619,797**	**172,027,857**	**95,465,137**
Equity				
Stated capital	17	51,889,356	117,527,955	71,766,495
Retained earnings		4,730,441	54,499,902	23,698,642
Total equity		**56,619,797**	**172,027,857**	**95,465,137**

Net asset value per share		**Pence per share**	**Pence per share**	**Pence per share**
Basic and diluted	18	**33.63**	**102.18**	**56.70**
Adjusted (EPRA)	18	**33.70**	**102.18**	**56.70**

The notes on pages 16 to 32 form part of this Interim Report.

Group cash flow statement
for the period ended 31 March 2017

	Unaudited six months to 31 March 2017	Unaudited six months to 31 March 2016	Audited year to 30 September 2016
	£	£	£
Cash flows from operating activities			
Loss before tax	(8,392,744)	(2,729,977)	(15,144,695)
Adjustments for non-cash items:			
Investment property revaluation deficit	3,405,499	835,877	6,816,643
Amortisation of lease incentives	220,060	-	187,132
Impairment arising on the cancellation of certain contractual arrangements	2,770,730	-	24,934,262
Loss/(profit) on sale of investment properties	4,363,654	(2,971,275)	703,005
Net finance costs	526,075	753,321	1,662,710
Cash flows from operating activities before changes in working capital	2,893,274	(4,112,054)	19,159,057
Change in business and other receivables	13,730,472	2,826,940	(12,182,318)
Change in business and other payables	(22,647,738)	(5,685,474)	20,515,144
Taxation paid	(94,116)	(23,888)	(36,015)
Cash flows from operating activities	**(6,118,108)**	**(6,994,476)**	**27,455,868**
Investing activities:			
Interest received	10,637	16,591	56,492
Purchase of and capital expenditure on investment properties	(8,624,533)	(18,723,399)	(42,036,267)
Proceeds on disposal of investment properties	18,496,158	35,484,390	160,080,227
Cash flows from investing activities	**9,882,262**	**16,777,582**	**118,100,452**
Financing activities:			
Own shares purchased for cancellation	-	(14,716,350)	(14,716,350)
Costs associated with own shares purchased	-	(44,152)	(44,155)
Redemption of “B” shares	(19,865,169)	-	(45,660,107)
Costs associated with redeemed “B” shares	(11,970)	-	(101,350)
Dividends paid	(10,437,898)	-	(18,324,718)
Bank borrowings drawn	513,000	11,214,993	20,771,555
Bank borrowings repaid	(5,000,000)	-	(44,865,683)
Finance costs paid	(369,044)	(114,469)	(1,167,406)
Cash flows from financing activities	**(35,171,081)**	**(3,659,978)**	**(104,108,214)**
Net (decrease)/increase in cash and cash equivalents	**(31,406,927)**	**6,123,128**	**41,448,106**
Cash and cash equivalents at the beginning of the period	46,481,520	5,033,414	5,033,414
Cash and cash equivalents at the end of the period	**15,074,593**	**11,156,542**	**46,481,520**

The notes on pages 16 to 32 form part of this Interim Report.

Notes to the interim report

1. General information about the Group

LXB Retail Properties Plc was listed on the AIM and CISE markets on 23 October 2009. It is a closed-ended real estate investment company that was incorporated in Jersey on 27 August 2009.

This Interim Report includes the results and net assets of the Company and its subsidiaries, together referred to as the Group, on a consolidated basis.

Further general information about the Company and the Group can be found on its website:

www.lxbretailproperties.com.

2. Basis of preparation

The financial information contained in this report has been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

As described more fully in the Chairman's Statement, following the Shareholders' approval on 29 February 2016, the Directors are continuing to enact the plans for an orderly realisation of the Group's investments, with the bulk of the remaining value to be returned to Shareholders as soon as is practicable and a small number of assets transferred to a continuing vehicle. Consequently the Directors have concluded that it continues to be appropriate not to adopt a going concern basis of preparation in these interim accounts. No material adjustments have arisen in this period or arose in the prior year, as a result of ceasing to apply the going concern basis, other than the reclassification of investment properties from non-current assets to held for sale.

The condensed set of financial statements for the half year are unaudited and do not constitute statutory accounts for the purposes of the Companies (Jersey) Law 1991. They should be read in conjunction with the Group's statutory financial statements for the year ended 30 September 2016, which were prepared under International Financial Reporting Standards adopted for use in the European Union and upon which an unqualified auditors' report was given.

The accounting policies adopted in this report are consistent with those applied in the Group's Annual Report and financial statements for the year ended 30 September 2016 (the 2016 Annual Report) and are expected to be consistently applied in the year ending 30 September 2017.

The 2016 Annual Report is available from the "Investor relations" page of the Company's website, www.lxbretailproperties.com, or by writing to the Company Secretary at Intertrust Fund Services, 44 Esplanade, St Helier, Jersey, JE4 9WG.

The Group's financial performance is not subject to material seasonal fluctuations.

3. Segmental information

During the current period and prior periods, the Group operated in and was managed as one business segment, being property investment, with all investment properties located in the United Kingdom.

Notes to the interim report (continued)

4. Gross revenue and direct costs

Gross revenue:	Unaudited six months to 31 March 2017	Unaudited six months to 31 March 2016	Audited year to 30 September 2016
	£	£	£
Gross rental income	806,916	1,416,260	3,410,759
Revenue derived from Forward Funding Agreements	36,248,710	20,632,785	81,830,032
	37,055,626	**22,049,045**	**85,240,791**

Direct costs:	Unaudited six months to 31 March 2017	Unaudited six months to 31 March 2016	Audited year to 30 September 2016
	£	£	£
Property outgoings	135,785	514,671	707,634
Costs associated with Forward Funding Agreements	36,082,439	20,511,758	81,364,903
	36,218,224	**21,026,429**	**82,072,537**

The Group's revenue and costs in connection with Forward Funding Agreements relate to:

- Sutton foodstore
- London Road Retail Park in Biggleswade
- the retail scheme at Brocklebank Road in Greenwich
- the Gateway Retail Park in Banbury
- the Sainsbury's/M&S development in Greenwich
- the Rushden Lakes Retail Park in Rushden, Northamptonshire

5. Other property related transactions

During the period and in the prior year, the Group accepted settlement payments in return for the cancellation of contractual arrangements relating to certain of its assets held for investment. The cancellation of these contractual arrangements had a direct and immediate detrimental effect on the value of the assets to which the contracts related, and as a result, an impairment charge has been applied to these assets. As these transactions are considered to be relevant to an understanding of the performance of the Group, and as the resulting impairment does not necessarily relate to investment property assets, the income and the resulting impairment have been shown separately to other fair value movements of investment properties described in note 10.

Notes to the interim report (continued)

6. Finance income and costs

Recognised in the income statement:	Unaudited six months to 31 March 2017	Unaudited six months to 31 March 2016	Audited year to 30 September 2016
	£	£	£
Finance income:			
Interest on cash deposits	10,637	16,591	56,492
Total finance income in the income statement	**10,637**	**16,591**	**56,492**
Finance costs:			
Bank interest	(396,750)	(366,842)	(896,369)
Decrease in fair value of derivative financial instruments	-	(223,797)	(227,800)
Amortisation of capitalised finance costs	(111,238)	(138,822)	(526,364)
Other finance costs	(28,724)	(40,451)	(68,669)
Total finance costs in the income statement	**(536,712)**	**(769,912)**	**(1,719,202)**
Net finance costs recognised in the income statement	**(526,075)**	**(753,321)**	**(1,662,710)**

The average interest rate incurred by the Group on its bank borrowings for the period ended 31 March 2017, including the lender's margin but excluding amortisation of capitalised finance costs was 2.59% (31 March 2016: 2.63%; 30 September 2016: 2.86%).

Further information about the derivative financial instruments, including details of their valuation at each balance sheet date is included in note 16.

7. Taxation

	Unaudited six months to 31 March 2017	Unaudited six months to 31 March 2016	Audited year to 30 September 2016
	£	£	£
The tax charge for the period recognised in the income statement comprises:			
Current tax on results for the period	26,196	125,391	187,215
Deferred tax in the period	111,363	-	-
	137,559	**125,391**	**187,215**

Notes to the interim report (continued)

7. Taxation (continued)

The tax assessed for the period varies from the standard rate of income tax in the UK of 20%. The differences are explained below:

	Unaudited six months to 31 March 2017	Unaudited six months to 31 March 2016	Audited year to 30 September 2016
	£	£	£
Loss before tax	**(8,392,744)**	**(2,729,977)**	**(15,144,695)**
Loss before tax at the standard rate of income tax in the UK of 20%	(1,678,549)	(545,995)	(3,028,939)
Items not subject to UK income tax:			
Income	(7,207,822)	(4,127,242)	(16,492,779)
Expenses	7,805,255	5,152,841	17,918,069
Reclassified and other changes in fair value of derivatives	-	44,759	-
Investment property revaluation deficit	659,434	167,175	1,363,328
(Surplus)/deficit on other property related transactions	(412,677)	-	203,008
Capital deficit/(surplus) on disposal of investment properties	872,731	(594,255)	140,601
Net financing costs	96,743	1,564	36,365
Other items	193	13,891	-
Other amounts:			
Capital allowances claimed	(98,092)	(35,000)	(70,000)
Deferred tax recognised on investment property revaluation surpluses in earlier periods	95,558	-	-
Losses carried forward	4,785	47,653	117,562
Tax charge for the period recognised in the income statement	**137,559**	**125,391**	**187,215**

The Group has revenue related losses of £4,264,811 (31 March 2016: £3,891,350; 30 September 2016: £4,240,888) available to carry forward to utilise against applicable future revenue profits, for which no deferred tax asset is currently recognised.

Tax status of the Company and its subsidiaries

All group undertakings are either tax resident in Jersey or are tax transparent entities owned by Jersey resident entities. Jersey has a corporate tax rate of zero, so the Company and its subsidiaries have no liability to taxation on their income or gains in Jersey. The Company is not subject to UK Corporation tax on any dividend or interest income it receives.

The Group's investment properties are located in the United Kingdom and therefore the net rental income earned less deductible items is subject to UK income tax, currently at a rate applicable to the relevant group undertakings of 20%.

A deferred tax liability of £111,363, calculated at 19%, has been recognised in respect of future taxable profits on investment properties in development arising on their revaluations up to the balance sheet date.

Notes to the interim report (continued)

8. Loss per share

Loss per share is calculated on 168,350,374 (31 March 2016: weighted average of 176,593,707; 30 September 2016: weighted average of 172,472,041) ordinary shares in issue for the period and is based on losses attributable to Shareholders for the period of £8,530,303 (31 March 2016: £2,855,368; 30 September 2016: £15,331,910).

There are no share options or other equity instruments in issue and therefore no adjustments need to be made for dilutive or potentially dilutive equity arrangements.

The European Public Real Estate Association ("EPRA") issues guidelines aimed at providing a measure of earnings per share designed to present underlying earnings from core operating activities only. The adjusted EPRA earnings per share figure is calculated as follows:

	Unaudited six months to 31 March 2017		**Unaudited six months to 31 March 2016**		**Audited year to 30 September 2016**	
	£	**Pence per share**	**£**	**Pence per share**	**£**	**Pence per share**
Basic loss	**(8,530,303)**	**(5.07)**	**(2,855,368)**	**(1.62)**	**(15,331,910)**	**(8.89)**
Property revaluation and disposal adjustments:						
Investment property revaluation movements	3,405,499	2.02	835,877	0.47	6,816,643	3.95
Loss/(profit) on sale of investment properties	4,363,654	2.59	(2,971,275)	(1.68)	703,005	0.41
Net (surplus)/deficit in respect of cancellation of certain contractual arrangements	(2,063,387)	(1.22)	-	-	1,015,040	0.59
Market value adjustments:						
of interest rate derivatives, net of tax	-	-	223,797	0.13	227,800	0.12
EPRA loss	**(2,824,537)**	**(1.68)**	**(4,766,969)**	**(2.70)**	**(6,569,422)**	**(3.82)**

Notes to the interim report (continued)

9. Dividends

	Unaudited six months to 31 March 2017		Unaudited six months to 31 March 2016		Audited year to 30 September 2016	
	£	Pence per share	£	Pence per share	£	Pence per share
Interim dividends paid	10,437,898	18.0	-	-	18,324,718	38.0

Current period:
An interim dividend of 18p per ordinary share was declared on 22 September 2016 and paid on 3 November 2016. The dividend was payable on each of the 57,988,322 shares in issue for which a corresponding "B" share was not issued (see note 17).

The holders of the remaining 110,362,052 ordinary shares in issue received 18p per share (a total of £19,865,169) on the redemption of these "B" shares in November 2016 (see note 17).

Prior year:
An interim dividend of 38p per ordinary share was declared on 31 May 2016 and paid on 9 June 2016. The dividend was payable on each of the 48,222,942 ordinary shares in issue for which a corresponding "B" share was not issued (see note 17).

The holders of the remaining 120,127,432 ordinary shares in issue received 38p per share (a total of £45,648,424) on the redemption of these "B" shares in June 2016 (see note 17).

Notes to the interim report (continued)

10. Investment properties

As described in note 2, the Group's investment properties were 'held for sale' at 31 March 2017 and 30 September 2016.

	£
Carrying value as at 30 September 2016 (audited)	73,170,186
Additions	3,497,437
Disposals	(14,050,984)
Revaluation deficit (see below)	(3,625,559)
Carrying value as at 31 March 2017 (unaudited)	**58,991,080**

The revaluation deficit shown above includes £220,060 (31 March 2016: £nil; 30 September 2016: £187,132) of amortisation in respect of capitalised lease incentives that have been released to rental income in the year.

A reconciliation is provided below:

	£
Investment properties revaluation deficit	(3,625,559)
Amounts attributable to the amortisation of lease incentives released to rental income	220,060
Revaluation deficit in the income statement	**(3,405,499)**

Movements in the prior year were as follows:

	£
Carrying value as at 30 September 2015	208,370,000
Additions	41,544,248
Disposals	(144,806,025)
Impairments in relation to the cancellation of certain contractual arrangements	(24,934,262)
Revaluation deficit (see below)	(7,003,775)
Carrying value as at 30 September 2016	**73,170,186**

The revaluation deficit shown above includes £187,132 of amortisation in respect of capitalised lease incentives that have been released to rental income in the year.

A reconciliation is provided below:

	£
Investment properties revaluation deficit	(7,003,775)
Amounts attributable to the amortisation of lease incentives released to rental income	187,132
Revaluation deficit in the income statement	**(6,816,643)**

Notes to the interim report (continued)

10. Investment properties (continued)

At 31 March 2017, the Group's investment properties were valued by JLL, Chartered Surveyors, on a fixed fee basis, in their capacity as independent external valuers. The aggregate fair value of these properties at 31 March 2017 is £59,738,000 (31 March 2016: £202,608,000; 30 September 2016: £71,403,000). The fair value includes amounts in respect of rents recognised in advance and lease incentives given to tenants that are included within business and other receivables at the balance sheet date.

The following tables reconcile the carrying value of investment properties to their fair values at the above balance sheet dates:

	£
Carrying value as at 31 March 2017	58,991,080
Adjustment for rents recognised in advance and lease incentives given to tenants	746,920
Total property portfolio valuation at 31 March 2017	**59,738,000**

	£
Carrying value as at 30 September 2016	73,170,186
Adjustment for rents recognised in advance and lease incentives given to tenants	1,394,601
Adjustment for accrued costs to complete	(3,161,787)
Total property portfolio valuation at 30 September 2016	**71,403,000**

The external valuers' valuation was undertaken in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards Professional Standards (January 2014) on the basis of fair value. Fair value is defined in IFRS 13 as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The Board determines the Group’s valuation policies and procedures and is responsible for appointing the Group’s independent external valuer. The Audit Committee considers the valuation process as part of its overall responsibilities.

The fair value of completed investment properties is determined using the ‘investment method’ whereby capitalisation yields derived from market transactions involving comparable investment properties are applied to the estimated net current and future cash flows expected to be generated by the investment property, which the valuer calculates using comparable market information, to obtain a market rent. The fair value of an investment property undergoing development is derived using the ‘residual method’ whereby the costs required to complete the development, including a notional cost of finance and an estimated risk factor or ‘profit on cost’, are deducted from the net development value arrived at under the ‘investment method’.

Notes to the interim report (continued)

10. Investment properties (continued)

As part of each half-yearly valuation exercise, the valuations performed by the external valuers are reviewed by appropriately qualified members of the Investment Manager's team. This includes discussion of the assumptions used and judgements made by the external valuers as well as detailed consideration of the resulting valuations. Discussion of the valuation process and results then takes place at a meeting between the external valuers and the auditors at which the key assumptions and estimates are reviewed together with consideration of the valuers' reasons for significant valuation movements on individual properties.

The key unobservable inputs used in the valuation of the Group's investment properties at 31 March 2017 are as follows:

			ERV per square foot (£)			Equivalent yield (%)		
Investment property type	**Fair value**	**Valuation method**	**Min**	**Max**	**Weighted average**	**Min**	**Max**	**Weighted average**
Completed	50,600,000	Investment	16.2	52.5	24.8	5.5	6.3	5.7
Development	7,288,000	Residual	10.0	30.0	20.8	5.5	7.0	6.1
Other*	1,850,000							
Total	59,738,000							

**Comprises land assets that are held at their estimated open market value.*

The key unobservable inputs used in the valuation of the Group's investment properties at 30 September 2016 were as follows:

			ERV per square foot (£)			Equivalent yield (%)		
Investment property type	**Fair value**	**Valuation method**	**Min**	**Max**	**Weighted average**	**Min**	**Max**	**Weighted average**
Completed	50,350,000	Investment	10.0	40.0	20.4	5.5	7.0	5.9
Development	16,353,000	Residual	10.0	30.1	22.2	5.5	7.0	6.0
Other*	4,700,000							
Total	71,403,000							

**Comprises land assets that are held at their estimated open market value.*

All other factors remaining constant, an increase in rental income would increase a valuation whilst increases in nominal equivalent yield and discount rate would result in a fall in value and vice versa. However, there are interrelationships between unobservable inputs as they are determined by market conditions. Corresponding movements in more than one unobservable input may have a complementary effect on a valuation whereas unobservable inputs moving in opposite directions may compensate each other. For example, where market rents and nominal equivalent yields increase simultaneously, the overall impact on a valuation may be minimal.

For investment properties undergoing development, a reduction in the cost and time to complete a scheme will have a positive impact on value, assuming all other factors remain constant. Conversely, if the anticipated cost or time to complete a scheme increased then this would negatively impact value, assuming all other factors remain constant.

All of the Group's investment properties are considered to be 'Level 3' in the fair value hierarchy described by IFRS 13. There have been no transfers of property between hierarchical levels in the year.

The historic cost of the Group's investment properties as at 31 March 2017 was £64,473,583 (31 March 2016: £163,745,071; 30 September 2016: £89,525,931).

Notes to the interim report (continued)

11. Business and other receivables

	Unaudited as at 31 March 2017	Unaudited as at 31 March 2016	Audited as at 30 September 2016
	£	£	£
Business receivables	367,680	1,584,500	17,719,776
Property sales receivables	8,617,192	21,664,886	13,315,713
Rents recognised in advance	746,920	484,198	1,394,601
Amounts receivable under Forward Funding Agreements	8,991,612	6,282,929	6,342,683
Prepayments and accrued income	185,454	2,981,285	2,954,371
Other receivables	4,801,578	5,252,219	3,182,955
	23,710,436	**38,250,017**	**44,910,099**

Property sales receivables comprised amounts receivable in respect of investment property sales that had unconditionally exchanged prior to the relevant balance sheet date.

Amounts receivable under Forward Funding Agreements relate to the income referred to in note 4.

All of the above amounts are either receivable within one year or will be released to the income statement within one year except for £706,386 (31 March 2016: £442,936; 30 September 2016: £1,226,188) of lease incentives, included above within business receivables, which are due to be released to the income statement in more than one year.

No business receivables were overdue or impaired at the end of any of the above periods.

12. Cash and cash equivalents

Included within the Group's cash and cash equivalents balance as at 31 March 2017 is £81,798 (31 March 2016: £1,471,918; 30 September 2016: £554,934) in bank accounts held as security by the providers of the Group's secured bank debt and hedging facilities.

13. Business and other payables

	Unaudited as at 31 March 2017	Unaudited as at 31 March 2016	Audited as at 30 September 2016
	£	£	£
Business payables	5,826,488	2,850,735	23,019,718
Amounts payable under Forward Funding Agreements	5,380,838	-	1,270,531
Other creditors	711,150	4,033,261	5,173,997
Accruals and other amounts payable	3,320,609	7,782,817	9,382,939
	15,239,085	**14,666,813**	**38,847,185**

All of the above amounts are due within one year and none incur interest.

Notes to the interim report (continued)

14. Borrowings: amounts repayable within one year

	Unaudited as at 31 March 2017	Unaudited as at 31 March 2016	Audited as at 30 September 2016
	£	£	£
Bank loans (secured):			
Investment facilities	-	5,000,000	5,000,000
Development facilities	25,722,372	37,059,903	25,098,071
	25,722,372	**42,059,903**	**30,098,071**

Investment facility:
In March 2017, the development facility that was entered into in December 2014 (see below) expired. Construction of the investment property on which the facility was secured completed in the prior year. On 13 April 2017, the loan was converted into an investment facility and extended until 5 June 2018.

On 30 March 2015, a group entity entered into an agreement with Barclays Bank Plc for a one year £5,000,000 debt facility which was extended to 31 March 2017 during the prior year. The loan was secured against an investment property held within a ring-fenced sub-group, beyond which the loan is non-recourse. In January 2017, the investment property to which the loan was secured was sold and the loan was repaid on the same date.

Development facilities in prior years:
In November 2014 and December 2014, two group entities entered into agreements with the Royal Bank of Scotland Plc for development finance facilities. The loans shown at the previous balance sheet dates above (net of unamortised loan issue costs) were drawn in tranches as the developments progressed. The property to which the facility entered into in November 2014 related was sold in September 2016 and that loan was repaid on the same date. The facility entered into in December 2014 expired in March 2017 and was converted into the investment facility described above. The amount is secured against an investment property held within a ring-fenced sub-group beyond which the loan is non-recourse.

There were no defaults or other breaches of financial covenants under the terms of any of the loan agreements referred to above during the current or prior periods, or in the period since the balance sheet date.

Notes to the interim report (continued)

15. Borrowings: amounts repayable in more than one year

	Unaudited as at 31 March 2017	Unaudited as at 31 March 2015	Audited as at 30 September 2016
	£	£	£
Bank loans (secured):			
Investment facility	-	**22,678,074**	-

Investment facility:
In September 2015 a group entity entered into an agreement with Royal Bank of Scotland Plc for a three year debt facility. A loan amounting to £23,000,000 (shown above net of unamortised loan issue costs) was drawn in September 2015 and was secured against an investment property held within a ring-fenced sub-group beyond which the loan is non-recourse. The investment property against which the loan was secured was sold in September 2016 and the loan was repaid on the same date.

There were no defaults or other breaches of financial covenants under the terms of the loan agreement referred to above during the prior period.

16. Derivative financial assets

The Group enters into hedging arrangements to provide protection against interest rate fluctuations in respect of its bank borrowings.

On 15 May 2015, in anticipation of future hedging needs, the Group entered into a cash-settled swaption with the Royal Bank of Scotland Plc. The instrument referenced a theoretical derivative effective for three years from 30 September 2016 on a notional amount of £50m at a fixed rate of 1.64%. Under the terms of the cash-settled swaption contract, if at the effective date the equivalent market swap rate had been in excess of the effective rate, the Group would have received a cash payment of the difference. However, at the effective date the equivalent market swap rate was below the effective rate and so nothing was payable by either party. The premium paid was £647,500 and the fair value at the balance sheet date was £nil (31 March 2016: £4,003; 30 September 2016: £nil). No actual derivative instrument was entered into on 30 September 2016.

Notes to the interim report (continued)

17. Stated capital

	Unaudited as at 31 March 2017 Number	Unaudited as at 31 March 2016 Number	Audited as at 30 September 2016 Number
Authorised			
Ordinary shares of no par value - number	Unlimited	Unlimited	Unlimited
Issued and fully paid			
Ordinary shares of no par value - number	168,350,374	168,350,374	168,350,374

Summary of movements in stated capital	**£**	**£**	**£**
Ordinary shares of no par value			
- total paid on issues to date	266,359,124	266,359,124	266,359,124
- purchased for cancellation:			
- in prior years	(99,309,458)	(84,593,108)	(84,593,108)
- during the period	-	(14,716,350)	(14,716,350)
- reclassification of the attributed retained earnings element of share buybacks undertaken in prior years	10,951,754	10,951,754	10,951,754
Redeemable "B" shares of no par value (see below)			
- total paid on issue in the current year	-	-	-
- redemption for cancellation in the current year	(19,865,169)	-	(45,660,107)
- redemption for cancellation in prior years	(96,832,807)	(51,172,700)	(51,172,700)
Total issue and purchase costs deducted to date	(9,414,088)	(9,300,765)	(9,402,118)
Stated capital per the balance sheet	**51,889,356**	**117,527,955**	**71,766,495**

Transactions with Shareholders in the prior year – ordinary shares:

In December 2015 and January 2016, the Company purchased a total of 15,280,000 of its own shares for cancellation for cash at an average price of 96.3p per share, including costs.

Transactions with Shareholders in the current year – "B" shares and dividends:

In November 2016, a return of cash of 18p per ordinary share was made to Shareholders (the Third Return of Cash). The total Third Return of Cash of £30.3m comprised the following two elements:

- £19.9m paid to Shareholders holding 110,362,052 of the Company's ordinary shares. This was paid through the redemption of an identical amount of redeemable "B" shares which had been allotted and issued to the holders of these shares at nil pence per share earlier in October 2016 as one of the options available to Shareholders under the mechanism of the Third Return of Cash.
- An interim dividend amounting in total to £10.4m (see note 9). This was paid to Shareholders holding the remaining 57,988,322 of the Company's ordinary shares in issue at that date who elected to receive the Third Return of Cash by way of a cash dividend. The cash dividend was debited to retained earnings.

Issue and purchase costs of £11,970 in respect of the redeemable "B" shares were incurred in relation to the Third Return of Cash.

Notes to the interim report (continued)

17. Stated capital (continued)

Transactions with Shareholders in prior years – "B" shares and dividends:

In June 2016, a return of cash of 38p per ordinary share was made to Shareholders (the Second Return of Cash). The total Second Return of Cash of £64m comprised the following two elements:

- £45.7m paid to Shareholders holding 120,127,432 of the Company's ordinary shares. This was paid through the redemption of an identical amount of redeemable "B" shares which had been allotted and issued to the holders of these shares at nil pence per share earlier in June as one of the options available to Shareholders under the mechanism of the Second Return of Cash.
- An interim dividend amounting in total to £18.3m (see note 9). This was paid to Shareholders holding the remaining 48,222,942 of the Company's ordinary shares in issue at that date who elected to receive the Second Return of Cash by way of a cash dividend. The cash dividend was debited to retained earnings.

Issue and purchase costs of £101,350 in respect of the redeemable "B" shares were incurred in relation to the Second Return of Cash.

In June 2015, a return of cash of 45p per ordinary share was made to Shareholders (the First Return of Cash). The total First Return of Cash of £82.6m comprised the following two elements:

- £51.2m paid to Shareholders holding 113,717,111 of the Company's ordinary shares at that date. This was paid through the redemption of an identical amount of redeemable "B" shares which had been allotted and issued to the holders of these shares at nil pence per share earlier in June as one of the options available to Shareholders under the mechanism of the First Return of Cash.
- An interim dividend amounting in total to £31.5m. This was paid to Shareholders holding the remaining 69,913,263 of the Company's ordinary shares in issue at that date who elected to receive the Return of Cash by way of a cash dividend. The cash dividend was debited to retained earnings.

Issue and purchase costs of £145,056 in respect of the redeemable "B" shares were incurred in relation to the First Return of Cash.

Notes to the interim report (continued)

18. Net asset value per share

Net asset value per share is calculated as the net assets of the Group attributable to Shareholders at each balance sheet date, divided by the number of shares in issue at that date (see note 17).

There are no share options or other equity instruments in issue and therefore no adjustments need to be made for dilutive or potentially dilutive equity arrangements.

The European Public Real Estate Association ("EPRA") has issued guidelines aimed at providing a measure of net asset value ("NAV") on the basis of long term fair values. The EPRA measure excludes items that are considered to have no impact in the long term, such as the fair value of derivative financial instruments and deferred tax balances.

The Group's EPRA NAV is calculated as follows:

		Unaudited as at 31 March 2017		Unaudited as at 31 March 2016		Audited as at 30 September 2016
	£	Pence per share	£	Pence per share	£	Pence per share
Basic NAV	56,619,797	33.63	172,027,857	102.18	95,465,137	56.70
Adjustments:						
Fair value of derivative financial instruments	-	-	(4,003)	(0.00)	-	-
Deferred tax balances	111,363	0.07	-	-	-	-
EPRA NAV	**56,731,160**	**33.70**	**172,023,854**	**102.18**	**95,465,137**	**56.70**

19. Related party transactions and balances

Interests in shares

The interests of the Directors and their families in the share capital of the Company are as follows:

	Ordinary shares		
	Unaudited as at 31 March 2017	Unaudited as at 31 March 2016	Audited as at 30 September 2016
	Number	Number	Number
Phil Wrigley	447,748	447,748	447,748
Steve Webb	319,046	243,385	319,046
Danny Kitchen	622,927	467,927	622,927
Alastair Irvine	6,195,306	3,777,569	6,195,306

The interests disclosed above include both direct and indirect interests in shares. The Return of Cash to Shareholders in the period resulted in the Directors receiving an aggregate amount of £1,365,305 (Period to 31 March 2016: £nil; year ended 30 September 2016: £1,875,919) on the same terms as the other Shareholders of the Company.

Notes to the interim report (continued)

19. Related party transactions and balances (continued)

The group headed by LXB^3 Partners LLP, which includes LXB Adviser LLP and its wholly owned subsidiaries, is a related party of the Company. LXB Adviser LLP is the Investment Manager to the Group. At 31 March 2017, the members of LXB^3 Partners LLP (and their spouses) held an aggregate total of 17,247,977 (31 March 2016: 13,341,440; 30 September 2016: 19,645,344) shares in the Company. The Return of Cash to Shareholders in the year resulted in the members of LXB^3 Partners LLP (and their spouses) receiving an aggregate amount of £3,536,162 on the same terms as the other Shareholders of the Company.

There have been no changes to any of the above shareholdings between 31 March 2017 and the date of this report.

Fees

Directors' fees payable during the period to 31 March 2017 were £152,500 (period to 31 March 2016: £152,500; year ended 30 September 2016: £305,000). As at 31 March 2017, £76,250 (31 March 2016: £76,250; 30 September 2016: £76,250) of fees remained outstanding and are included within business and other payables (note 13).

Management fees during the period to 31 March 2017 of £2,000,000 (period to 31 March 2016: £2,384,290; year ended 30 September 2016: £4,684,290) were payable to the group headed by LXB^3 Partners LLP. No amounts were outstanding at the respective balance sheet dates.

LXB Adviser LLP is permitted, under the terms of the Investment Advisory Agreement, to recharge certain costs and expenses incurred in the discharge of its duties. During the period to 31 March 2017, it has recharged costs totalling £57,228 (period to 31 March 2016: £89,949; year ended 30 September 2016: £109,815) to the Group.

Incentives - carried interest arrangements with LXB^3 Partners LLP

At a future date, when a cumulative hurdle amount has been returned to Shareholders, the carried incentive arrangements with LXB^3 Partners LLP are activated. The carried interest arrangements with LXB^3 Partners LLP were varied in the prior year.

The cumulative hurdle amount is calculated by reference to the net proceeds base amount, which is defined as the NAV of the Group at 1 January 2016, being £177.1m, and a 12% per annum preferred return thereon (as adjusted for any ordinary shares cancelled as a consequence of any share buyback programmes undertaken since that date). Previously, the net proceeds base amount was defined as the net funds raised from the issue of all ordinary shares (as adjusted for the ordinary shares cancelled as a consequence of any share buyback programmes undertaken) and a 12% per annum preferred return thereon.

Cash returns over and above the cumulative hurdle amount are shared between Shareholders (50%) and LXB^3 Partners LLP (50%) until amounts returned to Shareholders are 80% of the total amount returned. Returns above this level are shared between Shareholders (80%) and LXB^3 Partners LLP (20%).

As at 31 March 2017, the net proceeds base amount, to which the 12% per annum preferred return is applied, is £168.4m (31 March 2016: £168.4m; 30 September 2016: £168.4m).

The cumulative hurdle amount as at 31 March 2017 is £94.2m (31 March 2016: £175.0m; 30 September 2016: £119.0m).

As the net assets of the Group are less than the cumulative hurdle amount as at 31 March 2017, no provision for future incentive payments has been recognised.

Notes to the interim report (continued)

20. Post balance sheet events

As described in note 14, on 13 April 2017 the Group converted its £25.7m development loan facility entered into with the Royal Bank of Scotland Plc into an investment facility and extended the term of the loan until 5 June 2018.

On 16 May 2017, the Group completed the disposal of a further part of its investment property land assets at Gloucester to the Spirit Pub Company for net proceeds of £0.45m.

Company Information

Registered Office	Nominated Adviser, Joint Financial Adviser and Joint Broker	Registrar
44 Esplanade St Helier Jersey JE4 9WG	J.P. Morgan Cazenove 25 Bank Street Canary Wharf London E14 5JP	Capita Registrars (Jersey) Limited 12 Castle Street St Helier Jersey JE2 3RT
Directors	**Joint Financial Adviser and Joint Broker**	**Property Valuer**
Philip Oliver Wrigley Stephen John Webb Daniel John Kitchen John Alastair Irvine George Mackay Baird	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET	JLL London West End 30 Warwick Street London W1B 5NH
Administrator and Company Secretary	**Auditors**	**Jersey Lawyers**
Intertrust Fund Services 44 Esplanade St Helier Jersey JE4 9WG	BDO LLP 55 Baker Street London W1U 7EU	Ogier 44 Esplanade St Helier Jersey JE4 9WG
Investment Manager	**Derivatives Valuer**	**UK Lawyers**
LXB Adviser LLP 4th Floor 29-30 Bedford Street London WC2E 9ED	J.C. Rathbone Associates Limited 12 St. James's Square London SW1Y 4LB	Macfarlanes LLP 20 Cursitor Street London EC4A 1LT

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Glossary

AIM	A sub-market of the London Stock Exchange.
CISE	The Channel Islands Securities Exchange.
EPRA	European Public Real Estate Association.
EPRA EPS	An adjusted measure of earnings per share designed by EPRA to present underlying earnings from core operating activities only.
EPRA NAV	An adjusted measure of net asset value designed by EPRA to present net asset value excluding the effects of changes in value of financial instruments held for long term benefit and the deferred tax effects of those changes.
EPS	Earnings per share, calculated as earnings after tax divided by the weighted average number of shares in issue in the period or year.
Investment Manager	LXB Adviser LLP.
Investment Advisory Agreement	The agreement between LXBRP GP Limited, the General Partner of LXB Retail Properties Fund LP, and LXB Adviser LLP under which LXB Adviser LLP provides investment advice to the Group.
LIBOR	The London Interbank Offered Rate, being the interest rate charged by one bank to another for lending money.
NAV	Net asset value.