LIFE
SCIENCE
REIT

Creating space for science

Annual Report and
Financial Statements 2023

Life Science REIT plc is the UK's only listed property business focused on the growing life science sector.

We target opportunities in the 'Golden Triangle' research and development hubs of Oxford, Cambridge and London's Knowledge Quarter. By investing in properties that are leased, or intended to be leased, to occupiers across the life science sector, we aim to generate capital growth while also growing income over time.

Our shares are traded on the Main Market of the London Stock Exchange, under the ticker LABS.

Our vision:

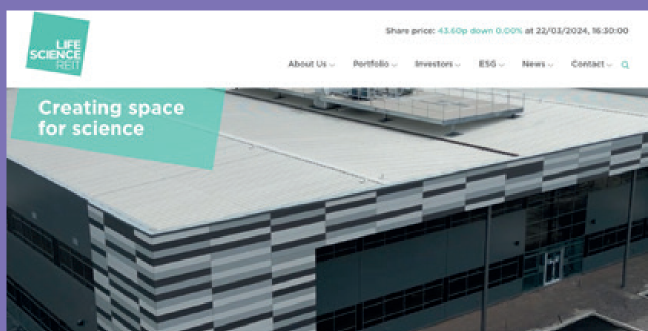
To become the property provider of choice for life science companies in the UK, giving shareholders exposure to this attractive growth sector.

Our culture:

- Open and collegiate
- Purpose driven
- Appropriately challenging
- Combining experience and innovation

Our strategy:

- Investment: acquire well-located assets where we can add value
- Asset management: drive value and rents through active management
- Financial: optimise returns through appropriate financing
- Sustainability: targeting the early adoption of ESG best practice



Find us online www.lifesciencereit.co.uk

Front cover image

Asset: Oxford Technology Park, Oxford

Lab: Rolling Stock Yard, London Knowledge Quarter

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FINANCIAL HIGHLIGHTS

Year ended 31 December 2023[1]

Gross property income	IFRS loss before tax	IFRS loss per share
£15.5m	£(21.9)m	(6.2)p
2022: £13.1m	2022: £(27.5)m	2022: (7.9)p
EPRA earnings per share	**Adjusted earnings per share**	**Dividends per share[2]**
1.7p	1.9p	2.0p
2022: 0.4p	2022: 0.7p	2022: 4.0p

As at 31 December 2023[1]

Portfolio valuation	IFRS net asset value	IFRS NAV per share
£382.3m	£283.7m	81.1p
As at 31 December 2022: £387.6m	As at 31 December 2022: £319.5m	As at 31 December 2022: 91.3p
EPRA net tangible assets	**EPRA NTA per share**	**Loan to value**
£279.7m	79.9p	24.7%
As at 31 December 2022: £315.1m	As at 31 December 2022: 90.0p	As at 31 December 2022: 16.8%

Strong earnings growth driven by 2022 acquisitions and further development and leasing progress:

- Adjusted earnings up £4.2 million (1.2 pence per share) to £6.7 million (1.9 pence per share)
- Contracted rent roll of £14.0 million (31 December 2022: £13.8 million), with £1.6 million of new rent offset by disposals and the expiry of rental guarantees
- On an IFRS basis, a loss of £21.9 million has been reflected with the positive adjusted earnings primarily being offset by a revaluation loss in the year of £22.8 million

EPRA net tangible asset per share down 10.1 pence to 79.9 pence (31 December 2022: 90.0 pence per share):

- Movement reflects portfolio revaluation loss and dividend payments in the year, partially offset by adjusted earnings

Sound balance sheet and disciplined approach to capital allocation:

- Sale of Lumen House for £7.7 million, 2.0% above June 2023 book value (slight loss versus December 2022 book value)
- £150.0 million refinancing of our HSBC facility, extending the term to June 2026 and adding Bank of Ireland to the Group's lenders
- Debt fully hedged at 4.5% interest payable

Portfolio valuation down £5.3 million to £382.3 million, driven by market movements on offices, with laboratory space more resilient:

- Overall like-for-like valuation reduction of 7.1% reflecting outward yield shift of 58bps partially offset by like-for-like ERV growth of 5.0%. Space defined as laboratories was marginally down 1.6%, with space defined as offices being the primary driver down 9.8%, in line with the market
- Further development progress and the disposal of Lumen House drove the remaining movement

1. The Group presents EPRA Best Practices Recommendations as Alternative Performance Measures ("APMs") to assist stakeholders in assessing performance alongside the Group's statutory results reported under IFRS. APMs are among the key performance indicators used by the Board to assess the Group's performance and are used by research analysts covering the Group. EPRA Best Practices Recommendations have been disclosed to facilitate comparison with the Group's peers through consistent reporting of key real estate specific performance measures. However, these are not intended as a substitute for IFRS measures. Please see the unaudited supplementary notes on pages 147 to 154 for further details on APMs.
2. This is the total of dividends paid and declared in respect of the year to 31 December 2023, including the second interim dividend of 1.0 pence per share declared on 26 March 2024, and due for payment on 13 May 2024. Dividends paid in 2023 totalled 4.0 pence per share, comprising the 3.0 pence per share second interim dividend for 2022 and the 1.0 pence per share interim dividend for 2023. Dividends paid in 2022 totalled 1.0 pence per share.

OPERATIONAL HIGHLIGHTS

As at 31 December 2023[1,2]

Contracted rent roll	Estimated rental value	Occupancy
£14.0m	**£19.6m**	**79.0%**
As at 31 December 2022: £13.8m	As at 31 December 2022: £17.2m	As at 31 December 2022: 82.0%

Weighted average unexpired lease term ("WAULT") to expiry	WAULT to first break	Net reversionary yield
5.8 years	**3.8 years**	**5.8%**
As at 31 December 2022: 6.2 years	As at 31 December 2022: 4.5 years	As at 31 December 2022: 5.2%

Adding value through our asset management and development programmes:

- 69,700 sq ft space delivered at Oxford Technology Park ("OTP"), with four new occupiers adding £0.6 million to contracted rents and a further pre-let providing an additional £0.6 million
- Rebranded the Cambourne asset to Cambourne Park Science & Technology Campus ("Cambourne"); secured the first life science letting to Rakon (£25.0 per sq ft) and are due to commence a repurposing project to convert vacant space in Building 2020 to fully fitted laboratories
- Completed refit at Rolling Stock Yard ("RSY") and let 7,322 sq ft at £110.0 sq ft to Beacon Therapeutics, a record rent for life science space

Further upside through development and reversion:

- Occupancy reduced to 79.0% (31 December 2022: 82.0%) reflecting recent completions and disposal of Lumen House; like-for-like occupancy increased to 86.6% (31 December 2022: 81.4%)
- Strong potential for rental growth on the let space of the investment portfolio with embedded reversion of 10.3%, equating to £1.5 million of additional rent; £4.1 million to come from completed development buildings and repurposing activities; resulting in estimated rental value ("ERV") of £19.6 million
- Further £5.5 million rent expected from on-site developments with an additional £1.1 million recognised in 2023, taking total target ERV to £26.2 million

Commitment to developing sustainable buildings:

- Net zero target set for scopes 1 and 2 by 2040 and by 2045 for scope 3
- 87% of properties now EPC A-C rated (31 December 2022: 83%)
- Received EPRA sBPR silver and most-improved award for sustainability reporting
- Obtained the Group's first green financing, with £40.0 million of the term loan defined as a Green Loan

Post year end highlights

New lease signed:

- Lease finalised with WAE Technologies Ltd in February 2024 following the practical completion of Building 5 at an initial rent of £18.6 per sq ft, increasing to £20.1 per sq ft in January 2025

Development completions:

- Reached practical completion on Building 5 at OTP, comprising 58,100 sq ft of space

Full year dividend rebased to 2.0 pence per share:

- With macroeconomic uncertainty continuing and interest rates now expected to remain elevated for some time, the Board has taken the decision to rebase the dividend to a level that is sustainable and substantially covered by adjusted earnings over time. The additional financial flexibility will enable the Group to effectively progress its strategy to deliver on the value accretive opportunities it has created. The Board has therefore declared a second interim dividend of 1.0 pence per share, bringing the total dividend for the year to 2.0 pence per share. This will be paid as an ordinary dividend on 13 May 2024, with an ex-dividend date of 4 April 2024. The Board will look to maintain a sustainable dividend going forward, with the intention that future dividends reflect the progression in underlying earnings.

1. Investment properties only. Development properties and land have been excluded from the above metrics.
2. Please see the unaudited supplementary notes on pages 147 to 154 for further details on APMs.

AT A GLANCE

We own a portfolio of five assets, in key locations within the Golden Triangle.

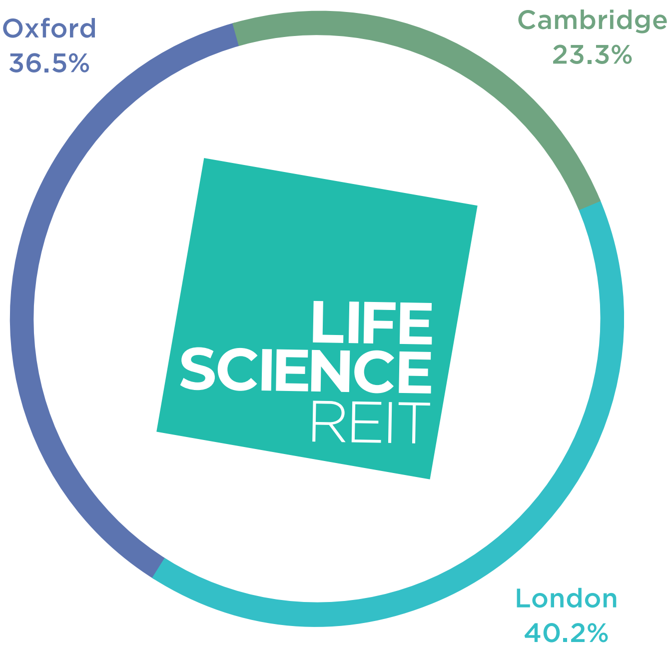
Asset location by valuation

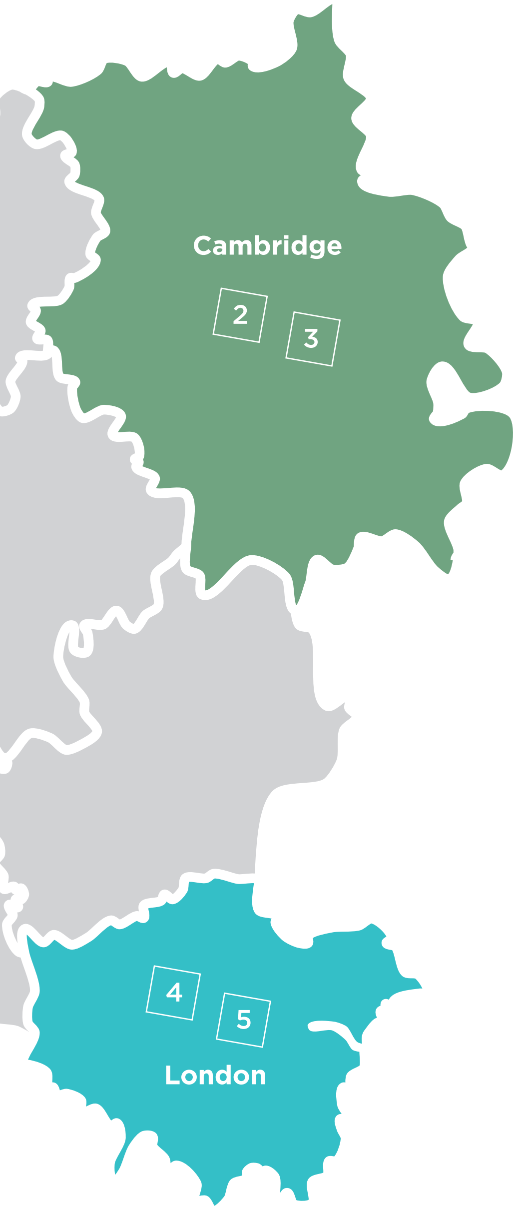
1a **Oxford Technology Park – Investment**
Oxford

Area: 173,400 sq ft
Type: Hybrid
Contracted rent: £2.0 million
Contracted rent from life science occupiers: 57.9%
Valuation: £72.1 million
Acquisition date: May 2022

1b **Oxford Technology Park – Development**
Oxford

Area: 324,200 sq ft
Type: Hybrid
Contracted rent: £1.1 million
Contracted rent from life science occupiers: 100.0%
Valuation: £67.4 million
Acquisition date: May 2022





2 Cambourne Park Science & Technology Campus
Cambridge

Area: 230,400 sq ft
Type: Hybrid
Contracted rent: £4.1 million
Contracted rent from life science occupiers: 65.6%
Valuation: £81.6 million
Acquisition date: December 2021

3 The Merrifield Centre
Cambridge

Area: 12,600 sq ft
Type: Laboratory
Contracted rent: £0.3 million
Contracted rent from life science occupiers: 100.0%
Valuation: £7.5 million
Acquisition date: November 2021

4 Rolling Stock Yard
London Knowledge Quarter

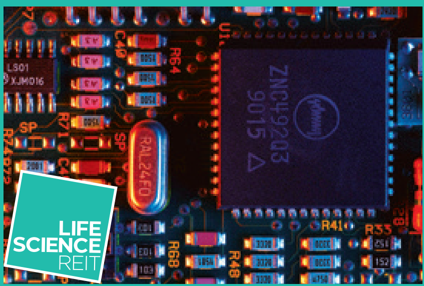
Area: 53,900 sq ft
Type: Hybrid
Contracted rent: £3.5 million
Contracted rent from life science occupiers: 79.7%
Valuation: £83.2 million
Acquisition date: December 2021

5 7-11 Herbrand Street
London Knowledge Quarter

Area: 68,600 sq ft
Type: Office
Contracted rent: £4.0 million
Contracted rent from life science occupiers: n/a
Valuation: £70.5 million
Acquisition date: May 2022

INVESTMENT CASE

As the first UK-listed REIT specialising in life science real estate, we provide investors with a unique opportunity to gain exposure to this exciting subsector. We believe the following factors make our business a compelling proposition.



Strong and growing demand for life science space

Long-term demand for life science space is underpinned by powerful structural drivers including an ageing population and growing demand for digital health; at the same time AI is accelerating the pace of discovery, creating new businesses across the life science spectrum. With two of the top three universities globally and a supportive regulatory environment, the UK is increasingly a preferred destination for life science businesses. See pages 10 to 13.

Constrained supply driving rental growth and values

'Genius Loci' – the need to cluster, to create successful life science ecosystems around centres of academic excellence means that supply is focused in the Golden Triangle of London, Oxford and Cambridge. A strict planning environment prevents a rapid supply adjustment, creating a demand-supply imbalance which drives rental growth and supports values over the mid to long-term. See pages 10 to 13.

Highly experienced management with a proven track record

Our Investment Adviser, Ironstone Asset Management Limited ("Ironstone"), has assembled a highly experienced team of senior professionals, who have built, operated and grown companies in the UK real estate market for more than three decades. The Investment Adviser's excellent relationships with potential occupiers, agents, banks, financial institutions and others gives us the ability to source investment opportunities off-market and provide life science companies with space suited to their requirements. See pages 28 and 29.

Sustainability integral to our strategy and aligned to occupiers' needs

Our strategy is to deliver sustainable space for life science use, primarily through development and repurposing of existing buildings. Best practice sustainability initiatives are integral to our approach and support our commitment to be net zero across our business by 2045. We also aim to provide workplaces that support the wellbeing of our occupiers and helps them to meet the challenge of attracting and retaining top talent. See pages 38 to 59.

A strategy for value creation

We have assembled a portfolio focused on a market with strong, long-term fundamentals and inbuilt opportunities to create value for shareholders. We measure our progress by long-term capital and income growth, supporting our total accounting return target. See pages 14 and 15.

CHAIR'S STATEMENT

> Our assets are in the right locations, our offer is attractively priced and tailored to the growing parts of the UK life science market and our financial position is sound.
>
> **Claire Boyle**
> Chair

The highly favourable demand-supply dynamics which underpin our ability to deliver capital and income growth over the long-term have not changed. However the operating environment we faced this year is very different to the one at IPO. In that context our focus has been on allocating our capital towards opportunities with the most attractive returns. That is why this year, we took the decision to sell Lumen House and it is also why we are rebasing our dividend, to better align the current payout with our earnings whilst still offering an attractive return to investors.

Market context

With five interest rate rises over the year, occupiers have been more cautious about taking new space. The life sciences sector, where fit-out is relatively more expensive and businesses move less frequently, has not been immune. As a result, take-up in Oxford was down slightly on last year's peak, although was stronger in Cambridge where availability is critically low at under 3%.

However, confidence built towards the end of the year, with greater certainty that we are at or close to peak interest rates, even if the consensus is that they will remain higher for longer. Venture capital ("VC") funding in the sector looks to be stabilising following the post pandemic peak in 2021 and has proved more resilient than other areas of the market, down 6% year on year, compared with a fall of 43% for total UK VC investment.

The second half of the year also saw a string of key policy announcements in support of our sector, most notably the Government's decision to rejoin Horizon Europe in September. The £520 million funding package announced in the Autumn Statement and positive response to the review of university spin-outs also supports an ecosystem where young life sciences businesses can be successful. This backdrop is helpful for our occupiers, many of whom are emerging businesses, looking for affordable space close to their roots in the academic institutions of the Golden Triangle.

Progressing our strategy

This year, we developed or refurbished 82,100 sq ft of high-quality, affordable life science space. Our leasing activity covered 39,200 sq ft, taking occupancy across our investment assets to 86.6% on a like-for-like basis (79.0% absolute) and contracted rent to £14.0 million. In addition, a further £1.7 million of rent is currently let or pre-let in the development portfolio.

We are proactively evolving our product to reflect patterns of demand we are seeing across our markets; at OTP we are seeking revised planning consent for Buildings 10 and 11 to deliver smaller units of between 10,000 and 20,000 sq ft. This is a market not currently catered for and where we see strong demand. Similarly, at Cambourne, we are progressing the repurposing of the ground floor at Building 2020 to deliver fully fitted lab space.

CHAIR'S STATEMENT CONTINUED

Combined, our asset management activities, including repurposing and development, will add £9.6 million to the contracted rent roll with the main contributor being the development at OTP, scheduled to complete H1 2025. In addition, the portfolio has the potential for strong rental growth, with embedded reversion of 10.3% in the existing investment assets.

To make progress on these key initiatives, in the second half, we took the decision to extract value from Lumen House which was sold for £7.7 million in November. The price represented a premium of 2.0% to June 2023 book value and 8.5% to the December 2021 acquisition price. This decision demonstrates our ability to adapt quickly and effectively, to allocate our capital and our efforts towards opportunities with the highest returns (see page 24 for further details). It represents a positive outcome for shareholders today.

Financial performance

The value of the portfolio was £382.3 million as at 31 December 2023, reflecting a net reversionary yield of 5.8% for the investment portfolio. The revaluation loss of £22.8 million was primarily driven by a like-for-like decline of 7.1% as yields shifted outwards 58 bps, partially offset by like-for-like ERV growth of 5.0%. Space defined as laboratories from a valuation perspective was much more resilient, down just 1.6% on a like-for-like basis. ERV growth here was also stronger at 10.4% and yield expansion less pronounced at 52 bps. Space defined as offices saw a valuation decline of 9.8% on a like-for-like basis. This discrepancy represents a clear opportunity as we repurpose more of our space.

EPRA NTA per share as at 31 December 2023 was 79.9 pence, 11.2% below the prior year, driven by the overall valuation decline and dividend payments in the year totalling 4.0 pence per share.

Adjusted EPS was 1.9 pence, with rental income from the May 2022 acquisitions being the key driver of the increase of 1.2 pence (or 171.4%) compared to last year. The disposal of Lumen House had a minimal impact on earnings, given its 11-month contribution to earnings.

Dividend policy

Operationally, the Group continues to make good progress with its strategy. Our assets are leasing well, we are successfully driving rental growth and there is considerable reversionary potential to capture.

However, with macroeconomic uncertainty continuing and interest rates now expected to remain elevated for some time the Board has taken the decision to rebase the dividend to a level that is sustainable and substantially covered by adjusted earnings over time. The additional financial flexibility this provides will enable the Group to effectively progress its strategy and to deliver on the value accretive opportunities it has created. The Board fully recognises the need to maintain an appropriate balance between providing income to shareholders and reinvesting capital in the business: our aim is to achieve an attractive total return for shareholders, with both income and capital growth driven by our asset management and development activities.

Accordingly, the Board has declared a second interim dividend of 1.0 pence per share for 2023, bringing the total dividend for the year to 2.0 pence per share. The Board will look to maintain a sustainable dividend going forward, with the intention that future dividends reflect the progression in underlying earnings.

Balance sheet resilience

The business continues to benefit from a robust financial position; our leverage is low, our debt is fully hedged and we have significant cash and headroom in our facilities. We have also demonstrated a readiness to realise capital from investments where we see better uses for it.

The key event in the period was the £150.0 million refinancing of our term loan and revolving credit facility ("RCF"), which repaid the expensive debt acquired with OTP. We were pleased to welcome Bank of Ireland to the syndicate alongside our existing lender HSBC and to achieve our first green financing, with £40.0 million of the term loan facility defined as a Green Loan.

Our loan to value ("LTV") ratio was 24.7% as at 31 December 2023 (31 December 2022: 16.8%), comfortably below our target range of 30-40%, which we continue to believe is optimal in the longer term. Available liquidity of £55.6 million was split between cash of £14.3 million and £41.3 million available through the RCF. These funds will be utilised to fund our development programme at OTP (where costs to complete were £46.2 million at the year end) and planned capital expenditure at Cambourne.

Environmental, Social and Governance

Sustainability is integral to our business model. Our strategy is to deliver sustainable space for life science use, primarily by repurposing existing buildings. That means delivering space which is low-carbon, energy-efficient and supports occupiers on their own sustainability journey.

We are on track to achieve BREEAM Excellent at all OTP buildings currently on-site and 87.3% of the portfolio is also EPC A-C rated.

Building on the progress made this year, we have now committed to be net zero carbon on scope 1 and 2 emissions by 2040 and for scope 3 emissions by 2045 (see pages 42 to 43). Phasing out gas and converting our buildings to electricity, as well as increasing our renewable capacity through the installation of PV panels where possible, are the key interventions in our plan and go hand in hand with our strategy.

Learning from the embodied carbon assessment we performed this year on the Innovation Quarter ("IQ") at OTP, as well as the refurbishment and development standards we introduced at the start of the year, we have a comprehensive approach to sustainable development which we can apply going forward.

Our net zero pathway was approved by the Sustainability Committee, which was established at the start of the year and is led by Dr Sally Ann Forsyth.

We have continued to progress our social programme by supporting charitable organisations local to us. This year that has included Science Oxford, where we are helping fund its community outreach programme, and Wintercomfort, an organisation in Cambridge which provides help and support for homeless people. We have joined Pathways to Property, which aims to widen access to the real estate industry to a broader range of young people and will be supporting their events in the current year.

Looking forward

The fundamentals of our sector are among the strongest in UK real estate, with demand supported by powerful long-term trends and supply constrained by the need to be located in centres of academic excellence, notably the Golden Triangle.

This is highly positive for long-term rents, so we are confident that we will continue to see attractive rental growth across our portfolio. We are encouraged by the conversations we are having about the available space but are also mindful of the time it takes for leases to be negotiated in our sector. A more certain economic environment is supportive for our business, but in any event, we will maintain our disciplined approach to capital deployment to ensure we progress the flagship projects that sit at the heart of our business.

In summary, our assets are in the right locations, our offer is priced attractively and tailored to growing parts of the UK life science market and our financial position is sound, with low leverage and a fully hedged debt book, so we have every confidence in our ability to deliver on our long-term strategy.

Claire Boyle
Chair

25 March 2024

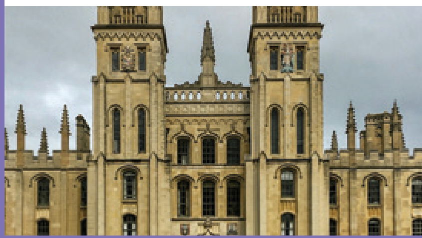
Rolling Stock Yard, London Knowledge Quarter

MARKET OVERVIEW

Long-term demand supported by powerful structural drivers

Ageing population

World-leading academic institutions



Increasing Government support

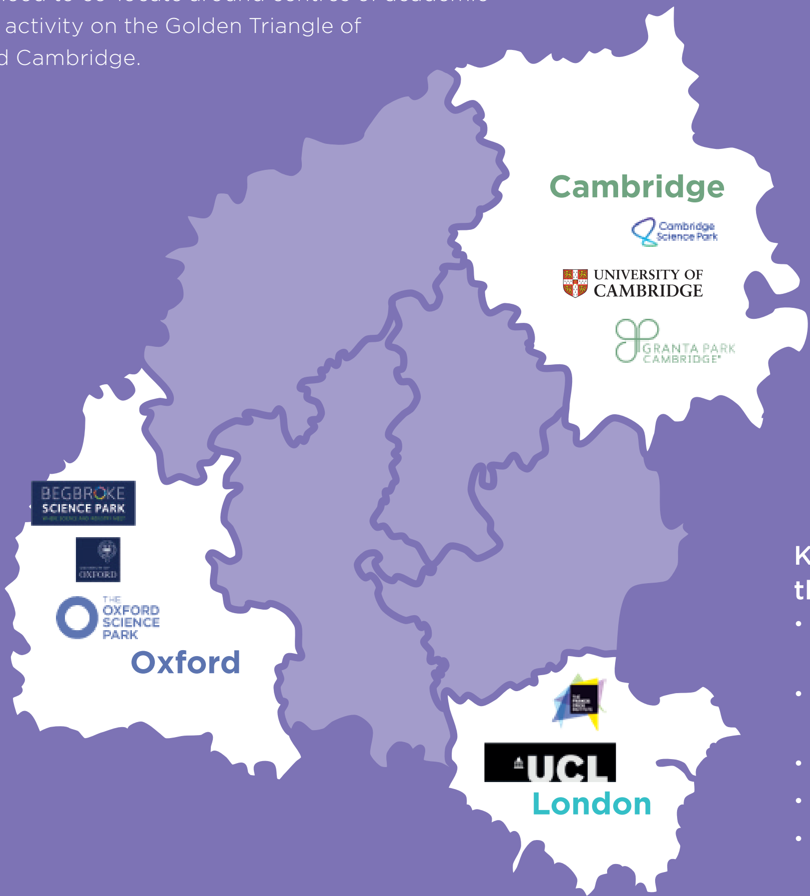
AI accelerating discovery

Life sciences field expanding

Demand for digital health

Supply and demand focused on the Golden Triangle

'Genius Loci' – the need to co-locate around centres of academic excellence, focuses activity on the Golden Triangle of London, Oxford and Cambridge.



Key attractions of the Golden Triangle:

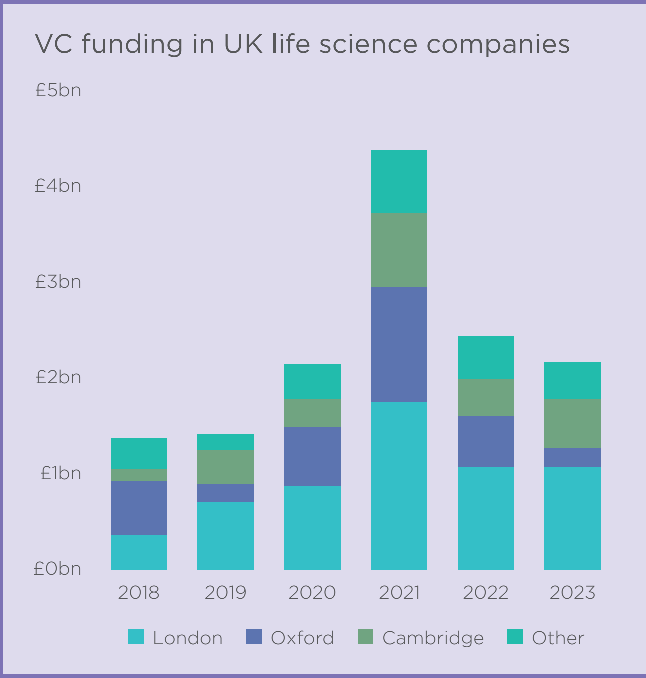
- Presence of top ten global universities
- Well-established science parks
- Leading teaching hospitals
- Available talent pool
- Connectivity to London

Life science funding

VC funding into UK life sciences has been a key engine of growth since the Covid-19 pandemic, with £4.3 billion invested in 2021. Since then, investment has normalised with £2.1 billion invested in 2023. While down on the prior year, life science investment has proved resilient compared to other sectors with total VC funding into UK companies down 43% compared to a reduction of just 6% in life sciences.

Early stage VC funding has been particularly strong, with £896 million invested in 2023, the second highest on record after 2021 and 22% ahead of the five-year average. Later stage investment has been slower, reflecting a weaker IPO market which is often a preferred exit route.

The UK is consistently the preferred destination for life sciences investment across Europe, accounting for 34% since 2019. However, UK life science investment lags the US which has received €152 billion in VC funding between 2019 and 2023 compared to €12.2 billion in the UK. With two of the top three universities globally, there is a clear opportunity for the UK to access this pool of funding.



Source: Cushman & Wakefield Q4 2023 research

Government support – key policy announcements

The UK Government has identified life sciences as a key opportunity to drive economic growth and has unveiled a range of initiatives and funding packages to unlock investment, grow talent and support infrastructure in UK life sciences. Key initiatives include:

ARIA
January 2023
Actioned

Formally established the £800 million UK Advanced Research and Invention Agency ("ARIA"), an independent research agency to fund high-risk, high-reward projects

Life Science for growth
May 2023
Proposed

£650 million funding package to support UK life sciences, including manufacturing, skills and infrastructure

Strategic manufacturing
November 2023
Proposed

£520 million investment into life sciences manufacturing

R&D tax relief
November 2023
Proposed

Per the Autumn 2023 statement, the R&D intensity thresholds to qualify as an R&D intensive SME has been reduced from 40% to 30% of total expenditure for accounting periods beginning on or after April 2024

Spin-out review
November 2023
Actioned

Accepted in full the recommendations of the independent spin-out review, bringing the UK more in line with the US on university equity participation and committing to £20 million investment to support proof-of-concept funding for spin-outs

Horizon Europe
January 2024
Actioned

The UK re-joined Horizon, the EU's €95.5 billion research programme in January 2024, enabling UK researchers to apply for grants and collaborate in global research projects

MARKET OVERVIEW CONTINUED

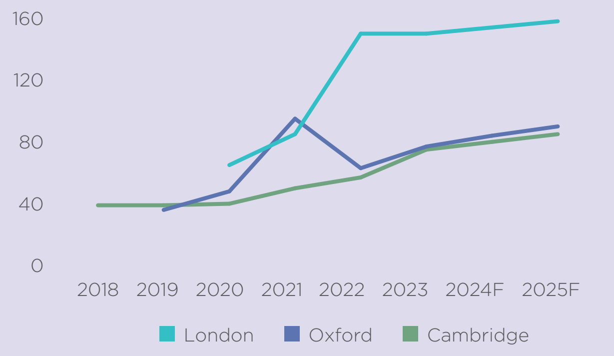
Occupational market

2023 saw the strongest take-up of science and innovation space in the Golden Triangle since 2015, with 925,000 sq ft of leasing transactions. Demand was focused on grade A space, where supply is very low, restricting volumes, particularly in Cambridge where availability is just 2.8%.

The activity has driven rents to record levels with Oxford and Cambridge achieving fully fitted rents of £76.5 and £71.5 per sq ft respectively. In Cambridge, this equates to 22.2% rental growth in just 12 months. Further growth is expected over the next five years, albeit at more modest levels as supply responds to the weight of demand: 3.5% rental growth per annum is forecast for Cambridge and 2.5% for Oxford. In London, prime rents for lab space have hit £150.0 per sq ft, and lab requirements currently stand at 974,000 sq ft compared to supply of 180,000 sq ft.

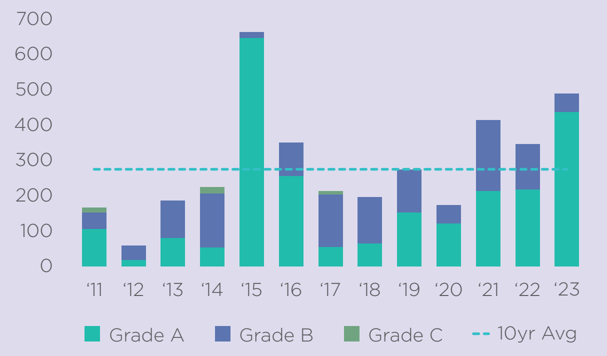
Tech boxes are an emerging subsector and in Oxford, the pipeline of 763,000 sq ft comprises just five schemes with OTP accounting for one-third of all space coming to market.

Fitted labs rent, £ per sq ft



Source: CBRE Q4 2023 Intelligence

Oxford & Cambridge Arc lab take-up, 000's sq ft



Source: Bidwells Q4 2023 webinar

Development pipeline

With demand for life science focused on existing life science clusters, over 90% of all planned construction is in London, Oxford or Cambridge. Supply is weighted towards London, where there is greater flexibility for large scale office conversion, albeit not all proposed conversions benefit from the very close proximity to academic establishment that occupiers typically look for.

Beyond 2024, much of the pipeline is still at the planning stage, but with interest rates expected to remain elevated for some time and development costs still high, a significant proportion of the pipeline could be delayed or paused indefinitely.

Golden Triangle lab development pipeline, millions sq ft

Source: Cushman & Wakefield Q4 2023 Golden Triangle Lab Report

Key trends and our responses

Technology diversifying the field

Traditionally, life sciences has been dominated by the pharmaceutical industry but today the sector covers a much wider spectrum, including advanced robotics, data analytics and AI.

Knight Frank estimate the UK AI sector has received £25 billion of funding and employment in the sector is growing at an annual rate of 9.6%. The UK 'Omics' (e.g. genomics) and quantum computing sectors are also growing rapidly and are expected to transform the wider sector's future real estate requirements.

Our response

Technology is driving this diversification and we are actively targeting businesses in these sectors. We consider their likely requirements, such as more write-up space and greater access to power when repurposing our space and this year successfully attracted occupiers in quantum computing (Oxford Ionics and Quantum Advanced Solutions), biomedicine (Beacon Therapeutics), data and AI (Arcturis Data), and agri-tech (Rakon).

Small/spin-out occupier demand

Universities are a key source of life sciences innovation and entrepreneurship. Equity investment in university spin-outs increased from £405 million to £2.5 billion in the decade to 2021, and universities are also investing to incubate these businesses. The UK Government believes spin-outs will have a key role in establishing the UK as a science and technology superpower and in 2023 agreed to the recommendations of the spin-out review (see page 11).

Our response

We have established an Innovation Quarter ("IQ") at Oxford Technology Park, comprising 12 units, ranging from 3,200 sq ft to 7,800 sq ft, just a five-minute drive from Begbroke Science Park. The IQ completed in August 2023 and several Oxford spin-outs, including Oxford Gene Technology have already taken space. Ironstone is also an investor into Oxford Science Enterprises providing us with access to a network of growing life sciences businesses.

Fully fitted space

Demand for both flexible and landlord-fitted, life sciences space is growing, driven by the need to be operational quickly, as well as minimising occupier exposure to rising costs and development delays. With a scarcity of suitable space in the Golden Triangle, these factors drive rental premiums of c.70% for fitted space compared to traditional office space, according to research conducted by Savills.

Our response

To address this demand, we are repurposing office space at our assets into fully fitted laboratories.

At RSY, we delivered two floors of 'plug and play' laboratory space in 2023 with the second floor let to Beacon Therapeutics at £110.0 per sq ft. At Cambourne, we are planning to repurpose 10,100 sq ft of offices into laboratories and write-up space and expect to achieve a doubling of the rents (see page 24).

Sustainability trends in life sciences

Sustainability is high on the agenda for many life science businesses with 46% of the global sector committed to the UN Race to Zero. Energy and water usage on life science space can be up to five times greater than an average office. This means that occupiers are increasingly selective about the space that they take.

The need to attract and retain talent is also particularly challenging in this sector, making quality of workspace and amenities of growing importance.

Our response

This year, we provided energy usage profiles to a major occupier, enabling them to reduce their energy consumption and costs. We are working with other occupiers to identify options for renewable energy and our sustainable standards for development and repurposing to ensure the space we are delivering meets the highest standards. Amenity space is also a priority; this has been delivered at RSY and is planned at OTP.

BUSINESS MODEL

Our purpose is to own and manage life sciences real estate, providing space for our occupiers to thrive. We have designed our business model to achieve this purpose, creating long-term value for our shareholders and other key stakeholders.

Our value creation model

Identity investment opportunities

We can invest in a wide range of building types suitable for life science occupiers or businesses supporting them. See page 16 for more.

When developing assets, we may mitigate risk through forward funding. For speculative development, we use best-in-class advisers, fixed-price construction contracts, and seek pre-lets where practical.

Ironstone's in-house and external sustainability experts help us to embed ESG considerations throughout the asset lifecycle.

Complete due diligence and acquisitions

The Investment Adviser carries out thorough due diligence, including value creation opportunities, the asset's environmental performance and climate-related risks, and negotiates terms with the vendor.

Any transaction requires approval by the Investment Adviser's Investment Committee, the AIFM and, for transactions greater than 20% of gross asset value, the Board.

Add value through asset management

The Investment Adviser builds close relationships with our occupiers to understand their businesses and property requirements, which supports our asset management programme.

We invest in our assets to make them more attractive to occupiers and look to improve their environmental performance.

See page 16 for our asset management strategy and page 38 to 59 for more on sustainability.

Oxford Technology Park, Oxford

Active investment monitoring

The Investment Adviser reviews each property at least monthly, focusing on occupancy, rental values and rent collection, and visits each asset a number of times a year depending on requirements.

Monitoring the market and building internal databases position us to take advantage of investment and occupier opportunities.

Our advisers provide regular updates on ESG regulations and stakeholder expectations. The Sustainability Committee ensures accountability for progress on our sustainability targets.

Hold or divest

Holding assets for the long-term makes us attractive to life science occupiers, who often have high barriers to exiting a building, given the cost of the fit-out, their complex equipment and the length of their projects.

We may sell selected assets, where we can reinvest the proceeds into more attractive investment opportunities.

We may choose to sell assets if the need to decarbonise, meet environmental regulations and climate-related issues mean they no longer meet our standards.

The value we create

Economic value

We finance the business using shareholders' equity and a prudent level of bank debt, maintaining a LTV target of 30-40%. We use this funding to invest in carefully selected assets and to implement our asset management plans. This enables us to grow rents and support the capital values of our assets, which will lead to attractive total returns for shareholders.

As a REIT, we do not pay corporation tax on profits and capital gains from our qualifying property rental business, which supports our ability to pay dividends in line with the REIT regime.

Social value

We provide real estate that supports life science research into globally significant problems and opportunities. We seek to minimise the environmental impact of our buildings while providing places which enhance the wellbeing of the people who work in them and we support local organisations making a positive difference in our communities.

Rolling Stock Yard, London Knowledge Quarter

OBJECTIVES AND STRATEGY

Our investment objective is to generate an attractive total return for shareholders, with a focus on capital growth.

Our strategy

01 Investment strategy

While we can invest around the UK, we have chosen to concentrate on the Golden Triangle, where we currently see the strongest demand-supply imbalance and the best prospects for rental growth.

Our focus on growing capital values means we favour assets where we can increase rents and valuations through active asset management.

Our investment policy (see page 156) requires us to primarily buy income-producing assets. However, we can choose to forward fund developments or buy development land, provided our total exposure to developments is no more than 15% of gross asset value.

Progress

- Capital market conditions prevented the raising of new equity in 2023. We therefore focused on driving value from the existing portfolio through our development and asset management programmes and did not make any asset acquisitions

Oxford Technology Park, Oxford

02 Asset management strategy

Our current focus for capital expenditure includes:

- completing the development programme at OTP;
- converting space in existing buildings to fitted laboratories, enabling us to attract significantly higher rents;
- improving amenities for occupiers, to support collaboration and help them to attract and retain employees; and
- enhancing our assets' sustainability performance.

Progress

- Reached practical completion on 69,700 sq ft of space at OTP, with a further 388,100 sq ft in development at the year end
- Repurposed the first and second floors at Rolling Stock Yard and achieved a record rent of £110.0 per sq ft on the second floor
- Rebranded Cambourne to reflect the focus on life science occupiers and progressed plans to repurpose vacant space in Building 2020 as fully fitted labs
- Increased contracted rents by £1.6 million through the signing of six new life science occupiers

Rolling Stock Yard, London Knowledge Quarter

Our objectives

Total accounting return (“TAR”)

We target a TAR of at least 10% per annum.

In 2023, the TAR was (6.8)% (see page 154) with the key contributor being the revaluation loss recognised in the year.

Dividends

The 2023 dividend has been rebased to 2.0 pence per share. The Board will look to maintain a sustainable dividend going forward, aligned with earnings progression in the future.

03 Financing strategy

Using an appropriate level of debt finance allows us to invest more in the portfolio and generate higher returns.

Our strategy is to:

- manage risk by keeping debt at prudent levels, with a target LTV of 30-40% in the longer term;
- use hedging to protect against rising interest rates; and
- access Green financing, which could lead to lower financing costs in the future.

We may also dispose of assets from time to time, which will generate funds for reinvestment.

Progress

- Refinanced the £150.0 million HSBC facility, extending the term to June 2026 (with extension options) and adding Bank of Ireland to the Group’s lenders
- Refinanced the £36.5 million Fairfield debt facility, which was the Group’s most-expensive debt
- Disposed of Lumen House for £7.7 million, to enable the capital to be allocated to growth opportunities, in particular the fully fitted labs project at Cambourne
- Purchased an interest rate cap on the new debt facility, capping SONIA at 2.0% per annum until March 2025
- Designated £40.0 million of the new term loan as a Green Loan

Lumen House, Oxford

04 Sustainability strategy

We look to minimise the environmental impact of our buildings by responsibly repurposing and developing space for life science use. Our key focus areas are:

- progressing our net zero carbon pathway;
- achieving best in-class building certifications;
- providing healthy buildings;
- partnering with occupiers on their sustainability objectives;
- maintaining best practice governance;
- addressing climate-related risks and opportunities; and
- transparent disclosure.

Progress

- Committed to be net zero by 2040 for scopes 1 and 2 and scope 3 by 2045
- Improved data quality, establishing 2023 as the baseline
- BREEAM Excellent and Interim Excellent certifications at RSY and OTP
- 87.3% of properties now EPC A-C rated (2022: 83.4%)
- Delivered collaborative space at RSY
- Green lease clauses, including data sharing clauses in all new leases
- Developed separate ESG and climate-related risk register
- Received EPRA sBPR silver award

Cambourne Park, Science & Technology Campus, Cambridge

KEY PERFORMANCE INDICATORS

Operational KPIs

Occupancy (%)

79%

2023	**79.0**
2022	82.0
2021	80.9

Description
Total open market rental value of the units leased divided by total open market rental value, excluding development property and land, and equivalent to one minus the EPRA vacancy rate.

Relevance to our strategy
Shows our ability to retain occupiers at renewal and to let vacant space, balanced with the need for vacancy to carry out asset management initiatives.

Performance
The change in occupancy reflects the net impact of new leases in the year and the practical completion of new space at OTP, some of which was unlet at the year end. On a like-for-like basis, occupancy has increased 5.2 percentage points to 86.6% at the year end.

Link to strategy

Like-for-like rental income movement (%)

2.4%

2023	**2.4**
2022	1.2
2021	n/a

Description
The change in contracted rent of properties owned throughout the period under review, as a percentage of the contracted rent at the start of the period, excluding acquisitions, disposals, development property and land.

Relevance to our strategy
Shows our ability to develop and repurpose space, and grow rents over time.

Performance
At 31 December 2023, like-for-like rental income had increased by 2.4% compared to the prior period. Life science lettings at Cambourne and OTP Building 1 drove this increase.

Link to strategy

Like-for-like valuation movement (%)

(7.1)%

(7.1)	**2023**
(1.8)	2022
n/a	2021

Description
The change in the valuation of properties owned throughout the period under review, expressed as a percentage of the valuation at the start of the period, and net of capital expenditure.

Relevance to our strategy
A high-quality portfolio and an active asset management programme will help improve asset values and provide future resilience.

Performance
The portfolio valuation decreased by 7.1% on a like-for-like basis, with laboratory space proving more resilient at a 1.6% decline (see page 34).

Link to strategy

Like-for-like energy intensity (%)

15%

2023	**15**
2022	n/a
2021	n/a

Description
The like-for-like change in landlord procured and generated energy intensity, measured in MWh/m^2.

Relevance to our strategy
Our decarbonisation targets were set in 2023 with the Group committing to being net zero in scope 1 & 2 by 2040 and in scope 3 by 2045. This measure helps monitor progress.

Performance
Energy intensity increased as a result of higher physical occupancy of Herbrand Street, Rolling Stock Yard and OTP (Building 1).

Link to strategy

Link to strategy key: Investment strategy; Asset management strategy; Financing strategy; Sustainability strategy

Financial KPIs

Total cost ratio (%)

44.2%

2023	44.2
2022	58.9
2021	163.5

Description
EPRA cost ratio including direct vacancy costs but excluding one-off costs. The EPRA cost ratio is the sum of property expenses and administration expenses, as a percentage of gross rental income.

Relevance to our strategy
Shows our ability to effectively manage our cost base, which in turn supports dividend payments and shareholder returns.

Performance
The increase in net rental income and decrease in costs reduced the total cost ratio by 14.7%. This will continue to reduce as we complete and let new space at OTP and repurpose space at our other assets to labs.

Link to strategy

EPRA NTA per share (p)

79.9p

2023	79.9
2022	90.0
2021	100.2

Description
This net asset value measure includes adjustments for the fair values of certain financial derivatives and assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

Relevance to our strategy
Reflects our ability to add value by acquiring well and through asset management, which in turn increases our resilience during market downturns.

Performance
The decline was primarily the result of dividends paid and the loss on revaluation of the portfolio, partially offset by positive earnings in the year.

Link to strategy

Loan to value ratio (%)

24.7%

2023	24.7
2022	16.8
2021	n/a

Description
Gross debt less cash and short-term deposits, divided by the aggregate value of properties and investments.

Relevance to our strategy
Shows our ability to balance the additional portfolio diversification and returns that come from using debt, with the need to manage risk through prudent financing.

Performance
The LTV remains at a prudent level of 24.7%, below our 30-40% target. The increase in the year is driven by the ongoing development at OTP and other asset management initiatives including repurposing space to labs at RSY.

Link to strategy

Total accounting return[1] (%)

(6.8)%

2023	(6.8)
2022	(9.1)
2021	n/a

Description
The movement in EPRA NTA over a period plus dividends paid in the period, expressed as a percentage of the EPRA NTA at the start of the period.

Relevance to our strategy
Shows our ability to construct a portfolio that delivers a secure and growing return to shareholders. Our target is in excess of 10.0% per annum, through a combination of dividends and growth in NAV.

Performance
We paid dividends of 4.0 pence per share and delivered adjusted earnings of £6.7 million (2022: £2.5 million). Despite this, a decline in NAV driven by revaluation losses in both the current year and prior year has resulted in negative total accounting returns. There is however a 2.3% improvement year on year.

Link to strategy

1. Replaces the dividend per share KPI reported in 2022. Total accounting return is considered a more relevant KPI that aligns with the Group's objectives and strategy, in part driven by the Board determined dividend.

STRATEGY IN ACTION

CREATING SPACE FOR SCIENCE AND TECHNOLOGY

Oxford Technology Park

Key statistics:

Valuation **£139.5m** 31 December 2022: £121.4m	Occupancy of completed buildings **50.0%** 31 December 2022: 72.5%
Number of occupiers **8** 31 December 2022: 4	Target contracted rent **£11.0m** 31 December 2022: £10.0m
% completed by area **34.8%** 31 December 2022: 21.2%	Costs to complete **£46.2m** 31 December 2022: £58.9m
Estimated completion **H1 2025** 31 December 2022: H1 2024	Total area on completion **497,600 sq ft** 31 December 2022: 492,400 sq ft

OTP is a 20-acre science and technology park in a key location in the Golden Triangle. It is less than two miles from the University of Oxford's Begbroke Science Park campus, seven miles north of Oxford city centre and adjacent to Oxford Airport.

When we acquired OTP in May 2022, three of the planned 12 buildings were complete, including a fully let hotel. These three buildings totalled 104,300 sq ft or 21.0% of the planned space at OTP, giving us the potential to significantly grow the asset's capital value and contracted rents by completing the development programme and letting the new space.

Comment from our IQ occupier

“ ”

This signifies a pivotal moment for Quantum Advanced Solutions, as we embark on a significant expansion of our R&D and manufacturing efforts to bring our sensor and materials products to an increasingly global customer base. The modern facilities at OTP, coupled with their flexible fit-out capabilities, provide an ideal setting for the establishment of our unique and innovative operations. We are honoured to be in close proximity to the University of Oxford and its vibrant ecosystem.

Marat Lutfullin
Chief Executive Officer
Quantum Advanced Solutions

STRATEGY IN ACTION CONTINUED

We continued to make good progress with the development programme during 2023 and secured a number of lettings.

Progressing the development programme

During 2023, Buildings 4A and 4B, known as The Innovation Quarter ("IQ"), reached practical completion, and Building 5 has also reached practical completion since the year end. Total completed space stood at 173,400 sq ft at 31 December 2023. By the date of this report, this had increased to 231,500 sq ft, making OTP 46.5% complete. Timing has moved out over the last year due to development delays and revision of planning on Buildings 10 and 11.

The IQ consists of 12 units, which can accommodate wet and dry labs, offices and light production. These units are smaller, more flexible and more affordable than elsewhere in Oxford, making them ideal for emerging life science businesses. We are seeing strong interest from potential occupiers for us to finance fitting out these units as lab space, which we expect will achieve a rental uplift from around £25.0 per sq ft to £45.0 per sq ft.

Our occupier surveys have demonstrated that amenity space is important. We have received planning permission to convert unit 6 at the IQ into a café and event space, and we are continuing to explore the potential for carrying out this work, including holding discussions with an operator.

During the year, we also received detailed planning consent for the remaining phase of OTP in Buildings 8 to 11, fitted to shell on the ground floor and offices on the first floor. Construction of Buildings 8 and 9 is in progress and they are expected to reach practical completion in the second half of 2024. However, we are working with the developer to revise our plans for Buildings 10 and 11, as our engagement with potential occupiers has shown demand for units that fall between the largest in the IQ (circa 7,800 sq ft) and the smallest of the current hybrid buildings, which is around 24,000 sq ft. Our intention is to create four smaller, subdivisible buildings rather than two larger ones, which will improve OTP's overall offer and attract higher rents. Subject to receiving planning consent for these revisions, we now expect to complete Buildings 10 and 11 in H1 2025.

The buildings at OTP have strong sustainability credentials, including EPC A on Buildings 1, 2, 4A, 4B and electric vehicle chargers in each car park other than the hotel. All the existing life science buildings and developments are tracking a BREEAM Excellent rating, and the Premier Inn hotel is rated BREEAM Very Good.

Attracting new occupiers

OTP continues to attract good interest from potential occupiers and we agreed the following new leases during 2023:

- In January 2023, Oxford Ionics leased 4,887 sq ft in Building 1 for two years at £28.5 per sq ft, with a break clause at the end of the first year. This provided it with initial accommodation at OTP, ahead of occupying larger long-term space. In December 2023, we announced that we had agreed a lease with Oxford Ionics to take unit A in Building 6, which has flexible internal space allowing the office, laboratory and production content to vary from 25% to 50%, to suit the occupier's requirements. The ten-year lease has a break clause and rent review at year five and an initial rent of £593,220 or £20.0 per sq ft.
- In February 2023, Arcturis Data leased 5,509 sq ft of office space in Building 1 at £28.7 per sq ft for ten years, with a break clause and rent review at the end of the fifth year.
- In August 2023, we announced the letting of 11,042 sq ft across two units in the IQ, for use as hybrid office and laboratory space. The occupier is Oxford Gene Technology IP Limited. The annual rent of £220,000 equates to £19.9 per sq ft for a ten-year term, with a break clause and rent review at the end of the fifth year.
- Since the year end, we announced the letting of 5,551 sq ft in the IQ to Quantum Advanced Solutions Limited who took occupation in December 2023. It will pay an annual rent of £122,122, equating to £22.0 per sq ft for ten years, with a break clause and rent review at the end of the fifth year.

In addition, we agreed a pre-let in 2022 for the whole of Building 5 to WAE Technologies Limited. With the building reaching practical completion in February 2024, the lease has now been granted, with the initial rent of £18.6 per sq ft rising to £20.1 per sq ft in January 2025.

Development progress as at 25 March 2024

Complete: 1 2 3 4A 4B 5

Under construction: 6 7 8 9

Land: 10 11

OXFORD TECHNOLOGY PARK

oxfordtechnologypark.com

Building a community

As more occupiers move into OTP, we are increasingly focused on creating a community. The planned café and event space in the IQ would support this and we are beginning to plan a range of events for occupiers. We have also launched an app to help people make the most of working at OTP, for example by booking exercise classes, cycle repairs, and receiving notifications of that week's food truck offering. Going forward, we also expect the app to be used to order from the café and for marketing, surveys and event organising.

Our priorities for 2024

In the year ahead, we will continue to lease the available space, complete the construction of Buildings 8 and 9, and secure revised planning on the final two plots. We are targeting headline rents for the remaining and future space at a minimum of £22.5 per sq ft for hybrid lettings. This compares with expectations of £15.0 per sq ft for hybrid lettings at the time we acquired OTP, reflecting strong rental growth in the Oxford market and the quality of the assets we are delivering. Even at these higher rents, OTP remains very competitive against similar locations in Oxford, giving us further scope for rental growth.

We are also reviewing ways to enhance OTP's sustainability performance. This includes the potential for retrofitting photovoltaic panels across the park.

STRATEGY IN ACTION CONTINUED

ALLOCATING CAPITAL TO NEW OPPORTUNITIES

Cambourne Park, Science & Technology Campus

Key statistics:

Lab area created
8,800 sq ft

Completion target
Q4 2024

Target rent
£50.0 per sq ft

Costs to complete
£3.0m

CAMBOURNE PARK SCIENCE & TECHNOLOGY CAMPUS

When we make acquisitions, our strategy is to add value through asset management and then to monitor the investment, with a view to holding or divesting. In most cases, we expect to hold for the long-term. This reflects the dynamics of our market (see page 12), where we expect increased rents and capital values over time. Being a long-term holder also takes account of our occupiers' needs. Life science companies often spend large amounts fitting out the buildings and their research projects can last for many years. This can make it difficult and expensive for them to change locations.

However, we will consider selling assets when we can allocate the capital to more transformational opportunities. In November 2023 we sold Lumen House for gross proceeds of £7.7 million. This represented a 5.6% net initial yield and was 2.0% ahead of 30 June 2023 book value and 8.5% above the acquisition price.

This asset was 1.9% of the portfolio by value (as at 30 June 2023) and we had to balance the impact to our NAV of the potential upgrade of the asset versus other projects in our portfolio. Realising its value now enables us to focus our efforts and capital on these opportunities, where the returns are more attractive.

The fully fitted laboratory initiative at Cambourne is a key example of that approach. Our discussions with emerging life science companies have revealed that many would prefer to pay higher rent for a fitted laboratory, rather than investing their limited capital to fit the space out themselves. We have the product and the expertise to deliver this.

Following the success of the 'plug and play' lab concept at Rolling Stock Yard where we increased rents from £65.0 per sq ft to £110.0 per sq ft, we are repurposing 10,100 sq ft of vacant office space in the ground floor of Building 2020 at Cambourne into four suites of fully fitted laboratories at a total project cost of £3.0 million with a further £0.5 million of enabling costs for future conversion of the first and second floors.

Each suite will be approximately 2,200 sq ft, making them suitable for early-stage life science companies, and they can also be combined for a larger occupier. Work will begin on-site Q2 2024 and we expect the units to reach practical completion in Q4 2024. There is very little fitted space in this size range available in Cambridge and we are optimistic of achieving rents at a minimum of £50.0 per sq ft, compared with £25.0 per sq ft for unfitted space.

Repurposing space, write up area design

Repurposing space, break out area design

Building 2020, Cambourne Park, Science & Technology Campus, Cambridge

OCCUPIER INSIGHT

Beacon Therapeutics

Rolling Stock Yard

beacon therapeutics

Ben Rigby
Vice President
Business Operations

Company overview

Beacon Therapeutics is a Syncona-backed gene therapy company focusing on developing therapies and treating eye diseases. It took occupation of the second floor of RSY in March 2023.

Why did you choose RSY for your business?

There's a real shortage of life science space in London. We looked at White City, but it wasn't convenient whereas Kings Cross stood out for us as an attractive, central London destination. The vibrancy of the local area is absolutely key in terms of attracting and retaining talent – people want to be in London and they want to be somewhere surrounded by great bars and restaurants, so our location helps us attract the best candidates.

The ability to configure the building to our own specification was also really important because the nature of our business means we need bespoke space. Ironstone were doing a basic fit-out, but they were very flexible and could adapt their plans to suit our needs.

Why does the building work well for you?

One of the key swing factors was having a landlord that was experienced in life sciences. For example, as an approved Biosafety Level 2 lab we have biological reagents and chemicals coming in and out of our space on a regular basis – having a building management team who understand the special handling requirements provides peace of mind for our business. It helps that there are other occupiers in the building with similar needs, so it's business as usual for them.

The amenity space that has been added on the ground floor is also really valuable – we use it as overflow meeting space for our team but we also use it to welcome external guests.

For us, there's also the added bonus of having another Syncona business in the building.

Why was being in the Knowledge Quarter important?

The Knowledge Quarter is gaining real traction as a life sciences hub in the UK and it's important for our business to be part of that scene. Many of the UK's leading academic and research institutions are based just around the corner.

But for us the real value is in the accessibility of the location – it's very central but also has great access to Cambridge from Kings Cross.

LGC Group

Oxford Technology Park

Michael Neale
Director, Manufacturing & Site Lead

Company overview

LGC is a global life science tools company, working with diverse customers to drive science forward and find solutions that diagnose, treat, feed and protect the growing population.

As part of LGC, the Native Antigen Company develops and manufactures premium-quality antigens and antibodies, and was one of the first companies to start production of the Covid-19 antigen. LGC took occupation of Building 3 in March 2022.

Why did you choose OTP for your business?

Location was the most important driver for us. Most of our colleagues are based in the Oxfordshire area and we wanted a location that was convenient for our talented team.

Secondly, we wanted a blank canvas that we could fit out to suit us and give us the flexibility to expand. Ultimately, this led us to a new building and OTP was completing just as our existing lease came up, so the timing worked well.

Sustainability credentials were also important. LGC is a global business with a net zero carbon commitment. We're planning to install PV panels which will supply c.50% of our needs, there is no gas and plenty of EV chargers so it's one of our most sustainable buildings globally.

Why does the building work so well for you?

In each of our labs, about one third of the space is unused and we have additional floors we haven't fitted out yet which gives us capacity to grow. As the team and LGC continues to expand, the option of additional space was very appealing.

Fitting out laboratory buildings is a lengthy and complicated process so it's not something you want to do too often.

Has being on a campus been beneficial?

Yes, the additional facilities are really important. There's a hotel on-site which is very convenient as we often have overseas visitors, including our senior leaders who are based in the US. They frequently come and stay for a week and the ability to walk to the office is very valuable.

A conference facility at the IQ is also coming soon and when it's available, I have no doubt we'll put it to good use.

What are you excited about for the long-term?

We're really keen to meet the neighbours. There are some fascinating and innovative companies moving in here, WAE Technologies and Oxford Gene Therapy for example. We were the first company to be based at OTP and with a few more, there will be a real sense of community.

We're also excited about the planned amenities. A café, so people can have their lunch within walking distance, will be a great addition.

We are excited about our long-term future at OTP and look forward to growing into the space we have so we don't expect to be moving any time soon.

INVESTMENT ADVISER'S REPORT

Ironstone Asset Management Limited provide day-to-day investment advisory and asset management services to the Group.

Stephen Barrow
Chair (Non-Executive Director)

Stephen has over 30 years' experience setting up and managing funds. Starting as an investment analyst at Morgan Grenfell, Stephen managed the £5 billion UK Equity Exempt Fund in the 1990s combined with the role of Head of Global Research. Stephen then set up the successful Global Equity Select strategy at Morgan Grenfell in 2002. Leaving Morgan Grenfell in 2005, Stephen built a successful team at IronBridge International and, as founding CIO, ultimately managed over $7 billion for a range of UK and overseas clients. Since 2012, Stephen has been investing in a range of property vehicles alongside colleague Simon Hope, notably Warehouse REIT. Stephen has an MA in Economic History from the University of St Andrews.

Simon Farnsworth
Managing Director

Simon is an experienced fund manager and chartered surveyor with over 30 years of experience in the UK real estate market. Previously he was a Managing Director of the UK Funds business of CBRE Global Investors and a member of their UK Executive Committee and Investment Committee. Prior to that he was a Business Development Director at GE Capital Real Estate. Latterly, Simon was a founding director of Westmount Real Estate, a boutique real estate investment advisory and asset management business advising on acquisitions, asset management and financing across all UK sectors. He has considerable experience in sourcing, managing and financing across many real estate asset classes along with developments, forward fundings and corporate transactions. He has a BSc in Land Management from the University of Reading.

Ian Harris
Director of Asset Management

Ian is a qualified chartered surveyor with over 30 years' experience in the UK real estate market. His asset management career began at Imry Holdings where he was responsible for the £200 million Halogic Portfolio in joint venture with GE Real Estate. He moved on to become Director of Frame Investments Limited, a privately owned property investment and asset management company specialising in multi-let value-add portfolios in the UK with financial partners including PRICOA and Portfolio Holdings Limited. He was then appointed Director of Asset Management for the Strategic Partners series of UK value-add funds at CBRE Global Investors with assets under management of £1 billion. Subsequently, he went on to co-found Westmount Real Estate Ltd, a boutique investment advisory and asset management business acting for a wide range of domestic and international investors. Ian has a BSc in Land Management from the University of Reading and is a Member of the Royal Institution of Chartered Surveyors.

Simon Hope
Vice-Chair (Executive Director)

Simon has over 35 years' experience in the real estate sector, gained during his career at Savills, one of the world's leading property agents. From 2004 to 2021 he was Global Head of Capital Markets specialising in portfolio investment construction, acquisitions and disposals. He was a founding director of the Charities Property Fund which he chaired between 2002 to 2007. In addition, he chaired Savills' proprietary trading and investment arm, Grosvenor Hill Ventures until 2007. Simon was also the executive sponsor of Savills' Life Science practice which incorporates a multi-disciplinary team of over 18 professionals. In 2013 he became chairman of Tilstone Partners Limited, the investment adviser to Warehouse REIT plc, a FTSE listed real estate investment trust. He also sits on the Warehouse REIT plc Board as a non-executive director. He studied Estate Management at the Royal Agricultural College, Cirencester and is a RICS Fellow. He also holds an MBA from Reading University.

David Lewis
Finance Director

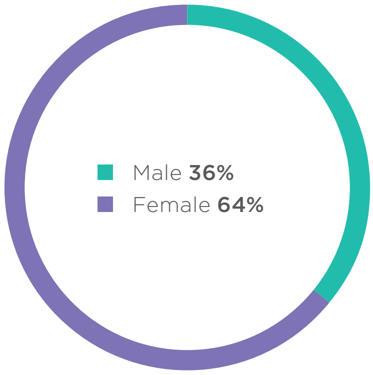
David has over 30 years' commercial and financial global experience, most recently with Round Hill Capital, a real estate private equity firm. He has held senior executive positions with Campus Living Villages, Balfour Beatty Investments and Lend Lease Infrastructure and was the European CFO of Babcock & Brown, the investment manager who established the now FTSE 250 listed company International Public Partnerships. Previously David was a Technical Director with Ernst & Young in Australia and is a Fellow of the Institute of Chartered Accountants, England & Wales. David has a BSc in Fuel and Energy and Management Studies from the University of Leeds.

See more at **https://lifesciencereit.co.uk/about-us/investment-advisers-management-team/**

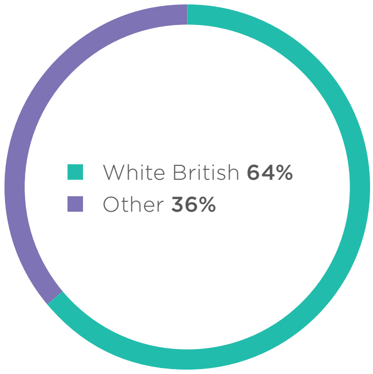
The Ironstone team

The wider Ironstone team as at 31 December 2023:

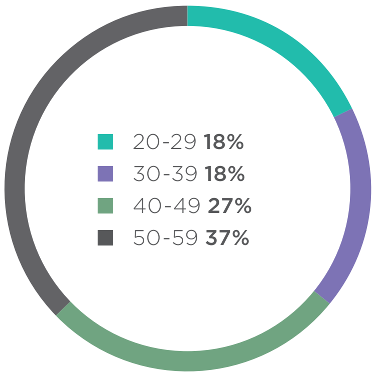
Gender:



Ethnicity:



Age profile:



INVESTMENT ADVISER'S REPORT CONTINUED

> This was a year of good progress with the Group's strategy. The long-term trends in the occupational market remain favourable and we are confident that the strategy will deliver for shareholders in the years ahead.
>
> **Simon Farnsworth**
> Managing Director

Implementing the investment strategy

There was one change to the portfolio during the year, following the disposal of Lumen House in November 2023. The proceeds of £7.7 million represented a 5.6% net initial yield and were 2.0% ahead of 30 June 2023 book value and 8.5% above the acquisition price. The proceeds will be reinvested into repurposing projects at other assets (see pages 24 and 25) and in the short-term have been used to repay the RCF, reducing interest costs.

The portfolio

The Group's portfolio at 31 December 2023 was as follows:

	Valuation						Contracted rent			
Asset	£m	£ per sq ft	Area sq ft	Occupancy %	WAULT to break years	WAULT to expiry years	£m	£ per sq ft	NIY %	NRY %
Cambourne	81.6	354	230,400	77.5	2.3	4.7	4.1	22.2	4.7	6.7
Rolling Stock Yard	83.2	1,544	53,900	87.3	2.7	6.6	3.5	72.3	4.0	5.1
7-11 Herbrand Street	70.5	1,028	68,600	100.0	—	2.8	4.0	58.5	5.3	5.7
OTP – Investments	72.1	416	173,400	50.0	9.0	12.2	2.1	19.4	2.7	5.7
The Merrifield Centre	7.5	595	12,600	100.0	3.0	8.0	0.3	23.1	3.6	5.5
Investment assets	**314.9**	**584**	**538,900**	**79.0**	**3.8**	**5.8**	**14.0**	**33.3**	**4.2**	**5.8**
OTP – Developments	67.4	208	324,200[1]	—	—	—	—	—	—	—
Development assets	**67.4**	**208**	**324,200**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total portfolio	**382.3**	**443**	**863,100**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

1. Full build-out area.

Development assets consist of OTP buildings under construction and the remaining development land. As the buildings practically complete, they are transferred into investment properties. The IQ, totalling 69,700 sq ft, was transferred in the year. The 324,200 sq ft area shown in the table above is the expected area of the remaining development assets, once practically complete.

Strong income growth potential

The contracted rent roll for the investment assets at the year end was £14.0 million (31 December 2022: £13.8 million), up 1.4% year-on-year, reflecting new leases signed, partially offset by the disposal of Lumen House and the expiry of £0.8 million of rental guarantees at Rolling Stock Yard. In addition, a further £1.1 million of pre-let contracted rent was agreed on the development assets as at 31 December 2023.

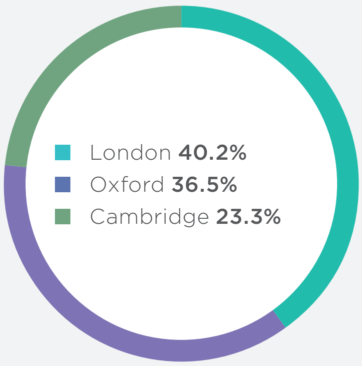
The estimated rental value ("ERV") of the investment assets at 31 December 2023 was £19.6 million (31 December 2022: £17.2 million). This is 40.0% above the contracted rent for the investment assets, with the let area having a reversionary percentage of 10.3%. Like-for-like ERV growth in 2023 was 5.0%.

Occupancy at the year end decreased by 3.0 percentage points to 79.0% (31 December 2022: 82.0%). The movement was the net result of letting vacant space and the practical completion of space at OTP that remained unlet at the year end. On a like-for-like basis the occupancy increased 5.2 percentage points to 86.6%.

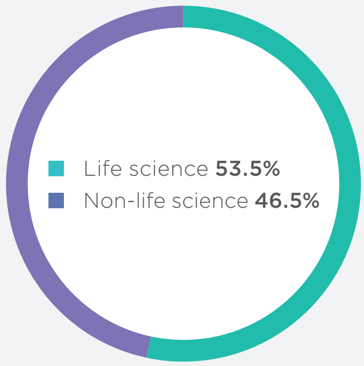
Well-located assets offering hybrid and office space

The portfolio is in strong locations within the Golden Triangle and primarily comprises office and hybrid (office and laboratory) space. The charts below show the split of assets by location and type, as at 31 December 2023.

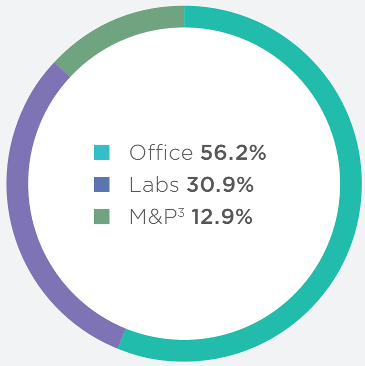
Asset location by valuation



Life science exposure by contracted rent[1]



Life science occupier area by floor type[2]



1. Includes £1.1 million of contracted rent within development assets; life science occupiers make up 49.9% of the investment portfolio.
2. 54.4% of portfolio area (including vacant space) currently let to life science occupiers.
3. Manufacturing and prototyping.

The Group's occupiers

The table on the next page shows the Group's top ten occupiers at the year end. The proportion of the investment portfolio (by contracted rent) let to life science occupiers continues to increase and stood at 49.9% at 31 December 2023. For more information on why life science occupiers choose our assets, see the occupier insight section on pages 26 to 27.

Under the Group's investment policy, no occupier should account for more than 30.0% of the higher of gross contracted rents or the valuer's ERV of the portfolio, including developments under forward-funding agreements. We remain within this limit, with the largest occupier accounting for 28.7% of gross contracted rents and 21.9% of the ERV at the year end. As we build out and lease up OTP, the rent roll will continue to diversify and reduce the proportion of total rents coming from individual occupiers.

INVESTMENT ADVISER'S REPORT CONTINUED

The portfolio continued

The Group's occupiers continued

Occupier	Asset[1]	Occupier type[3]	Annual contracted rent (£m)	% of total
Thought Machine Group Ltd	HS	Non-LS	4.0	28.7%
Gyroscope Therapeutics Ltd	RSY	LS	1.5	11.0%
Carl Zeiss Ltd	CP	LS	1.0	6.8%
Beacon Therapeutics Ltd	RSY	LS	0.8	5.8%
Xero (UK) Ltd	RSY	Non-LS	0.7	5.1%
Regus	CP	Non-LS	0.7	4.9%
MTK Wireless Ltd	CP	LS	0.7	4.8%
Premier Inn Ltd	OTP	Non-LS	0.7	4.7%
Native Antigen Company Ltd (LGC)	OTP	LS	0.5	3.9%
Pacific Biosciences UK Ltd	RSY	LS	0.5	3.4%
Subtotal – top ten			**11.1**	**79.1%**
Remaining			2.9	19.9%
Total[2]			**14.0**	**100.0%**

1. HS – Herbrand Street; RSY – Rolling Stock Yard; CP – Cambourne Park; OTP – Oxford Technology Park.
2. Investment portfolio only. In addition, £1.1 million of contracted rent has also been agreed within development assets.
3. LS – life science occupier; Non-LS – non life science (hotel and offices).

Implementing the asset management strategy

Cambourne Park Science & Technology Campus

The Group acquired Cambourne in 2021, with the intention of repositioning it as a dedicated life science and technology hub. We made good progress in 2023, including rebranding the park to target these sectors and starting to repurpose 10,100 sq ft of vacant office space in Building 2020 into fully fitted laboratories (see pages 24 to 25).

In April 2023, the Group achieved its first life science letting at Cambourne, with Rakon taking 4,877 sq ft in Building 2020. The lease is at a rent of £25.0 per sq ft for ten years, with a break clause and rent review at the end of the fifth year. Rakon has fitted out the space to create dry labs.

Occupancy at Cambourne was 77.5% at the year end (31 December 2022: 80.1%). Completing the fitted laboratories will be a key step in establishing Cambourne's credentials in our target market and supporting future lettings in other buildings.

Our longer-term aim is to deliver a highly sustainable campus, building on the existing renewable power provision (photovoltaic panels) and targeting a minimum of BREEAM Very Good for refurbishments. We are also evaluating opportunities for amenities benefiting occupiers and the local community, and working to launch an app for occupiers at Cambourne, as we have done at OTP (see page 23).

Oxford Technology Park

Information on our asset management activities at OTP can be found in the case study on pages 20 to 23.

Rolling Stock Yard

Following the refit of the first and second floors, Rolling Stock Yard offers office and fully fitted laboratory space, with the refreshed reception area providing an attractive place for occupiers to meet and collaborate.

The capital cost for the lab refit was around £2.0 million or £158.7 per sq ft, and has delivered significantly increased rental levels. The 7,322 sq ft second floor has been leased to Beacon Therapeutics at £110.0 per sq ft, a leading rent for life science space, compared to £65.0 per sq ft before the refit. The lease is for five years with an occupier's break at year three. We are tracking a number of occupier enquiries for the remaining vacant first floor. Occupancy at the year end was 87.3% (31 December 2022: 66.7%).

7-11 Herbrand Street ("Herbrand")

The present occupier's lease at Herbrand runs until Q4 2026. We continue to engage with the occupier and while our base case is that it will stay until expiry, we are working up our plans for repositioning the building for life science use.

The Merrifield Centre ("Merrifield")

As previously reported, the occupier has completed a comprehensive refurbishment, demonstrating its commitment to the asset. This contributed to a significant improvement in the EPC rating, which increased from D to B.

Financial review

Financial performance

The Group's financial results are summarised below:

	2023 £m	2022 £m	Change %
Gross property income	**15.5**	13.1	18.3
Property operating expenses	**(1.7)**	(2.2)	22.7
Net rental income	**13.8**	10.9	26.6
Adjusted administration costs	**(5.2)**	(5.6)	7.1
Adjusted operating profit	**8.6**	5.3	62.3
Adjusted net finance costs	**(2.0)**	(2.7)	25.9
Tax	**0.1**	(0.1)	100.0
Adjusted earnings	**6.7**	2.5	168.0
Exceptional finance costs	**(1.5)**	—	n/a
Exceptional administration costs	**—**	(1.0)	n/a
Fair value (losses)/gains on derivatives and deferred premium	**(3.8)**	2.2	(272.7)
Fair value losses on investment properties	**(22.8)**	(31.3)	(27.2)
Loss on disposal of investment properties	**(0.3)**	—	n/a
IFRS loss after tax	**(21.7)**	(27.6)	(21.4)

Total gross property income in the year was £15.5 million (2022: £13.1 million), with the growth of 18.3% due to a full year of ownership of OTP and Herbrand, which the Group acquired in May 2022, and the benefits of new leases agreed in the year.

Property operating expenses were £1.7 million (2022: £2.2 million), resulting in net rental income of £13.8 million. Property operating expenses are primarily void costs on vacant units, less the release of a £0.7 million provision for doubtful debts, which were provided for in the prior year and are now fully collected.

Administration costs comprise the Investment Adviser's fee, professional fees, including audit and valuation, the Directors' fees, and a range of other costs such as insurance. These costs totalled £5.2 million in the year (2022: £5.6 million excluding exceptional one-off costs). In the prior year, the Company incurred one-off costs of £1.0 million, in relation to its move from trading on AIM to the Main Market of the London Stock Exchange.

The above results in a total cost ratio of 44.2% (2022: 58.9%). The improvement reflects the Group's income growth and cost reduction and we expect the ratio to further reduce as we continue to complete and lease up the buildings at OTP and realise the reversionary potential elsewhere in the portfolio.

Rolling Stock Yard, London Knowledge Quarter

INVESTMENT ADVISER'S REPORT CONTINUED

Financial review continued

Financial performance continued

Adjusted net finance costs for the year were £2.0 million (2022: £2.7 million), comprising loan interest, expenses and arrangement fees of £8.9 million, partially offset by capitalised finance costs of £3.3 million and adjusted finance income of £3.6 million. The Group incurred exceptional one-off finance costs of £1.5 million (2022: £nil), with £0.7 million relating to the write-off of unamortised arrangement fees on the Group's debt facility, which was refinanced in June 2023, and an early repayment fee of £0.8 million on the Fairfield facility (see next page).

Fair value losses on derivatives and deferred premiums were £3.8 million (2022: £2.2 million gain), relating to the interest rate caps that were in place at the start of the year and the new cap entered into following the refinancing in June 2023. An interest rate cap acquired with OTP expired in June 2023.

The unrealised loss on revaluation of investment properties was £22.8 million (2022: £31.3 million loss). See the valuation and net asset value section in this report for more information.

As a REIT, the Group is not subject to corporation tax on its property rental business and the tax charge relating to 2023 was therefore £nil (2022: £0.1 million), with a further £0.1 million release of the prior year provision that was no longer required.

The IFRS loss after tax for the year was £21.7 million (2022: £27.6 million). This resulted in IFRS loss per share of 6.2 pence (2022: 7.9 pence) and EPRA EPS of 1.7 pence (2022: 0.4 pence). Adjusted EPS, which is EPRA EPS excluding the impact of exceptional one-off costs, was 1.9 pence (2022: 0.7 pence).

Dividends

The Company paid two dividends during 2023. These were:

- the second interim dividend of 3.0 pence per share, in respect of the year to 31 December 2022, which was paid in May 2023; and
- a first interim dividend of 1.0 pence per share in respect of 2023, paid in October 2023.

Since the end of the year, the Board has declared a second interim dividend of 1.0 pence per share in respect of 2023 (see post period end events on page 36).

The cash cost of the dividends paid and declared in respect of 2023 is £7.0 million. At 31 December 2023, the Group had distributable reserves of £328.0 million (31 December 2022: £337.1 million), with the majority being in the Company following the cancellation of the share premium account in 2022.

Valuation and net asset value

The portfolio was independently valued by CBRE as at 31 December 2023, in accordance with the internationally accepted RICS Valuation – Professional Standards (the "Red Book").

The table below analyses the movement in valuation during the year:

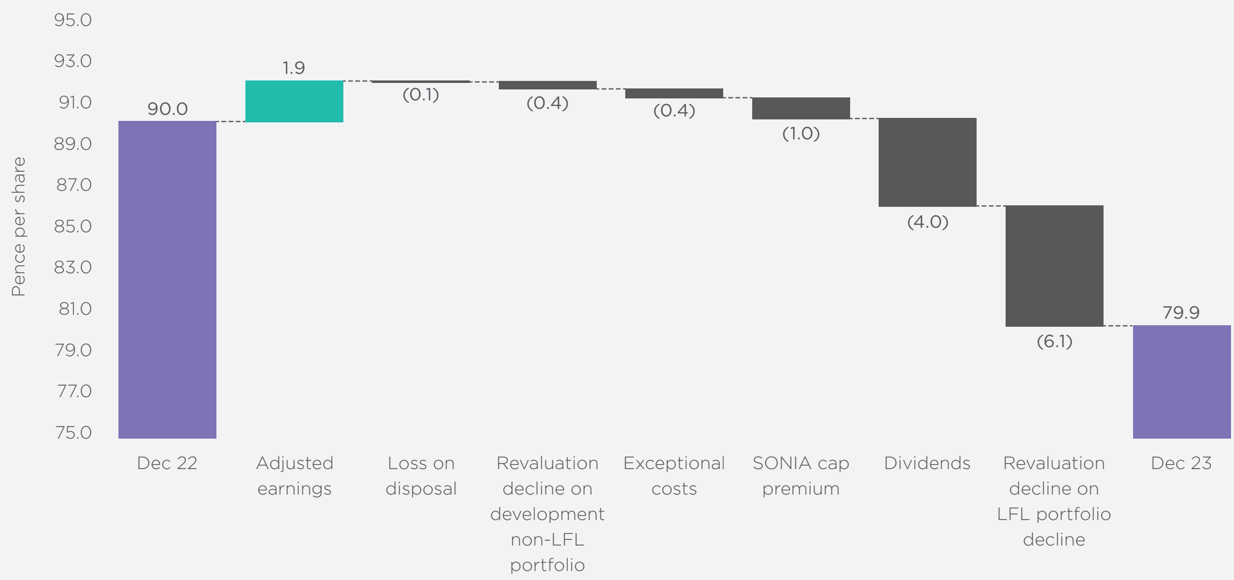
	£m
Portfolio valuation at 31 December 2022	387.6
Acquisitions[1]	(0.8)
Capital expenditure	22.7
Finance costs capitalised	3.3
Movement in rent incentives	0.1
Fair value losses on investment properties	(22.8)
Disposals	(7.8)
Portfolio valuation at 31 December 2023	**382.3**

1. This balance relates to the finalisation of prior-year acquisitions. There were no acquisitions of new assets in 2023.

The unrealised loss on revaluation of investment properties of £22.8 million is mainly driven by a like-for-like reduction in value of 7.1%. This resulted from an outward yield shift of 58 basis points, partially offset by 5.0% like-for-like ERV growth in the year. Space defined as offices saw a valuation fall of 9.8% on a like-for-like basis; this was in line with the wider office market and reflected an outward yield shift of 66 basis points. Space defined as laboratories for valuation purposes was more resilient posting a like-for-like valuation decline of 1.6%; a 52 basis points outward yield shift was almost fully offset by ERV growth of 10.4%. At the year end, this space represented 31.7% of the like-for-like portfolio. As per the 31 December 2023 valuations, there is up to a 60 basis points yield variance in the vacant development space versus let completed space. As we continue to complete and let up the space at OTP over the next 12 months, we expect the like-for-like and absolute position to significantly improve.

IFRS NAV was 81.1 pence per share (31 December 2021: 91.3 pence per share). The EPRA NTA at the year end was 79.9 pence per share (31 December 2022: 90.0 pence per share). The reduction in EPRA NTA per share (see chart on next page) was primarily the result of dividends paid and the revaluation loss, partially offset by adjusted earnings.

Movement in EPRA NTA per share



Debt financing

The Group undertook two debt refinancings in 2023. In February, the Group refinanced the £36.5 million Fairfield debt facility acquired with OTP, by utilising £26.3 million of the Group's HSBC facility and existing cash resources. This has reduced the Group's cost of debt, reflecting the higher interest rate on the Fairfield facility, and enabled OTP to be used as security for other debt financing.

In June 2023, the Group refinanced the £150.0 million HSBC term loan and RCF, with Bank of Ireland joining HSBC in providing the new facility. This includes a £100.0 million term loan, increased from £75.0 million, and a £50.0 million RCF, both of which have had their terms extended to June 2026, with two one-year extension options. The Group also has a £35.0 million accordion facility option available on the RCF. The facilities are secured on all of the Group's assets.

The new facility carries a cost of SONIA plus a 2.50% margin. The SONIA reference rate has been capped at 2.00% per annum until March 2025, for a premium of £3.6 million predicated on a forecast debt draw down schedule. At the year end, the Group was slightly over hedged against SONIA at 106.9%. The facility also includes a ratchet clause that reduces the margin to 2.35% if the gross LTV is 30% or lower, based on the lenders' annual valuation of the portfolio.

The Group has also defined £40.0 million of the term loan as a Green Loan, in accordance with the LMA Green Loan Principles. This is secured on Rolling Stock Yard and some of the completed OTP buildings, which are rated either BREEAM Excellent or EPC A.

At 31 December 2023, the £100.0 million term loan was fully drawn and the Group had drawn £8.7 million against the RCF. The Group also had cash and cash equivalents of £14.3 million (31 December 2022: £45.6 million). The LTV was therefore 24.7% at the year end (31 December 2022: 16.8%). We continue to believe that a range of 30.0-40.0% is optimal in the longer term.

The Group had £41.3 million available within the RCF at the year end, resulting in total liquidity of £55.6 million to fund the ongoing development at OTP, which had £46.2 million costs to complete as at 31 December 2023. The RCF will be drawn on a quarterly basis to meet development funding requirements and minimise interest costs throughout the remaining development period.

INVESTMENT ADVISER'S REPORT CONTINUED

Financial review continued

Resourcing for growth – Ironstone

As the Investment Adviser, our team plays a crucial role in the Group's success. Our people have a range of relevant skills, including real estate investment, asset management, finance and sustainability. While everyone who joins us has the experience and qualifications they need for their role, we are committed to supporting professional and personal development and training, to help our people progress their careers within Ironstone. We therefore run an annual appraisal process and provide both statutory and individual training, according to each person's job or personal requirements. In December 2023 we also conducted our first employee survey and are currently evaluating the feedback.

Diversity and inclusion are important to us, as we recognise the benefits of diverse viewpoints and life experiences. At the year end, our gender diversity was 36% male, 64% female, with 64% of the team identifying as white British and 36% as other backgrounds. We also consider the age profile of our team with 18% aged 20-29, 18% aged 30-39, 27% aged 40-49 and 37% aged 50-59.

Our employee turnover was low in 2023, with one person leaving and one new hire, resulting in a turnover rate of 8%.

Post year end events

- Lease finalised with WAE Technologies Ltd in February 2024 following the practical completion of Building 5 at an initial rent of £18.6 per sq ft, increasing to £20.1 per sq ft in January 2025.
- Reached practical completion on Building 5 at OTP comprising 58,100 sq ft of space.
- With macroeconomic uncertainty continuing and interest rates now expected to remain elevated for some time, the Board has taken the decision to rebase the dividend to a level that is sustainable and substantially covered by adjusted earnings over time. The additional financial flexibility will enable the Group to effectively progress its strategy to deliver on the value accretive opportunities it has created. The Board has therefore declared a second interim dividend of 1.0 pence per share, bringing the total dividend for the year to 2.0 pence per share. This will be paid as an ordinary dividend on 13 May 2024, with an ex-dividend date of 4 April 2024. The Board will look to maintain a sustainable dividend going forward, with the intention that future dividends reflect the progression in underlying earnings.

Oxford Technology Park, Oxford

Compliance with the investment policy

The Group's investment policy is set out in full on pages 156 to 158. The key elements of the policy are summarised below. We complied with the policy throughout the year:

Policy element	Compliance in the period
Invest in a diversified portfolio of properties across the UK which are typically leased or intended to be leased to occupiers operating in, or providing a benefit to, the life science sector ("life science properties").	Yes. All the properties are in the Golden Triangle and are either leased or intended to be leased to life science organisations.
Examples of the assets the Group can acquire: wet and dry laboratories, offices, incubators and co-working space, manufacturing and testing facilities, and data centres.	Yes. All the Group's assets are a mix of laboratory and office space.
The Group can acquire individual buildings, a group of buildings across a single science park or the entirety of a science park. This may include purchasing or developing buildings that are leased or intended to be leased to occupiers providing ancillary services to employees of companies operating in, or providing a benefit to, the life science sector.	Yes. The Group owns both individual assets and a science park.
The Group will typically invest in income-producing assets, consistent with providing capital growth and growing income.	Yes. All the assets are income producing (other than the development at OTP) and offer potential for capital growth and rising income through asset management.
Any asset management or development opportunities will minimise any development risk, typically through forward funding or similar arrangements.	Yes. We are forward funding the development programme at OTP and have a fixed-price contract for each building with the developer.
The maximum exposure to developments or land without a forward funding arrangement is 15% of gross asset value ("GAV").	Yes. There are no developments or land without a forward-funding arrangement.
No individual building will represent more than 25% of GAV at 31 December 2023.	Yes. No building exceeds the threshold.
The Group targets a portfolio with no one occupier accounting for more than 20% (but subject to a maximum of 30%) of the higher of either (i) gross contracted rents or (ii) the valuer's ERV of the Group's portfolio including developments under forward-funding agreements, as calculated at the time of investing or leasing.	One occupier exceeds 20% of contracted rent but remains below the 30% threshold. This percentage is expected to fall as OTP continues to be developed and leased up.
The aggregate maximum exposure to assets under development, including forward fundings, will not exceed 30% of GAV at 31 December 2023.	Yes. 17.6% of assets are currently in development.
No more than 10% of GAV will be invested in properties that are not life science properties.	Yes, more than 90% of assets are currently classified as life science properties.
The Group will not invest more than 10% of GAV in other alternative investment funds or closed-ended investment companies.	Yes. The Company has no investments of this type.

Alternative Investment Fund Manager ("AIFM")

G10 Capital Limited ("G10") is the Company's AIFM, for the purposes of the UK AIFM Regime, with Ironstone providing advisory services to both G10 and the Company.

Investment Adviser

Ironstone Asset Management Limited is the Investment Adviser to the Company and the AIFM.

Ironstone Asset Management Limited
Investment Adviser

25 March 2024

SUSTAINABILITY

> Delivering sustainable buildings sits at the heart of our strategy so we are confident of making good progress on our net zero commitments.
>
> **Sally Ann Forsyth**
> Chair of the Sustainability Committee

I became the Board's sustainability lead in May 2022 and in that time have seen the enormous strides the Company has taken to progress its sustainability agenda. The highlight this year is our commitment to be net zero carbon by 2040 for scopes 1 and 2 and by 2045 for scope 3. This is an ambitious goal, particularly as our focus on laboratories means our occupiers typically have higher energy requirements, but delivering sustainable buildings sits at the heart of our strategy so we are confident of making good progress.

Our business model is primarily focused on converting existing buildings to life science use. This typically means retaining the substructure and superstructure of buildings, thereby avoiding the upfront embodied carbon emissions which contribute an estimated 50% of a building's GHG emissions over its lifetime. Examples of that are at Cambourne and RSY where we have or are looking to repurpose existing space.

OTP is our only significant development project, and here we have undertaken an assessment of the embodied carbon emissions in one of our buildings which we are learning from to make future development and refurbishment more sustainable.

ESG is also central to our overall aim of 'creating space for science' which with all its possible applications from green technology to medical advances has the capacity to improve the welfare of millions of people. Given their life science focus, we are fortunate that many of our occupiers have their own sustainability goals and are keen to work with us to achieve them. Data sharing is often the starting point and here we have made good progress; we now collect energy consumption data for 91% of investment assets (by sq ft), including occupier procured energy covering over 140,000 sq ft. We are actively engaging with our occupiers; this year we have prioritised the single-let units and have held one-to-one sustainability meetings with 45% of those.

Our approach to Sustainability

Environmental

- Progressing our net zero pathway
- Achieving best-in-class building certifications
- Sustainable development and repurposing
- Supporting biodiversity

Social

- Providing healthy buildings
- Partnering with our occupiers on their sustainability objectives
- Providing collaborative space
- Encouraging active travel
- Supporting local charitable organisations

Governance

- Maintaining best practice governance
- Addressing ESG related risks and opportunities
- Transparent disclosure and participation in industry benchmarks

The urgency to make real progress on sustainability initiatives is increasing. 2023 was the warmest year on record and the built environment is responsible for 40% of greenhouse gas emissions globally, so in our sector, the need to act is particularly acute. We have seen the volume of ESG-related legislation grow including the work the International Sustainability Standards Board ("ISSB") has done to harmonise sustainability reporting standards and the EU's Corporate Sustainability Reporting Directive ("CSRD"). Noteworthy for 2024 is the forthcoming Taskforce for Nature-related Financial Disclosure ("TNFD").

The direction of travel is clear, and as Chair of the Sustainability Committee, ensuring we continue to align with best practice is a priority. To this end, the Investment Adviser has created a separate ESG risk register and established an ESG Taskforce (see page 52) to help inform on forthcoming issues, risks and opportunities and to shape decision making and long-term strategy.

We set ESG targets on an annual basis with progress against those targets regularly monitored by the ESG Taskforce.

You can find more information about our strategy, how it is evolving and the progress we are making towards our targets on the following pages.

Disclosure frameworks we are currently aligned to are set out below:

Framework	Status	Pages
Taskforce on Climate-related Financial Disclosures ("TCFD")	Voluntary disclosure (not mandatory for closed-ended investment companies)	46 to 53
Streamlined Energy & Carbon Reporting ("SECR")	Mandatory disclosure	54 to 59
The Companies (Directors' Report) and LLPs (Energy and Carbon Report) Regulations 2018	Mandatory disclosure	54 to 59
EPRA – European Real Estate Association	Voluntary disclosure (not mandatory reporting, best practice adopted)	54 to 59

SUSTAINABILITY CONTINUED

Sustainability highlights

Highlights of our sustainability performance for 2023 are set out below with a full update on pages 44 to 45.

Environmental

324.5 tonnes CO_2e scope 1 & 2 emissions LFL (2022: 206.6 tonnes CO_2e)

15% increase in LFL energy intensity

8 buildings (including on-site developments) with full or interim BREEAM Excellent or Very Good certifications

87% A-C EPC by area (2022: 83%)

127,000KW generated from on-site photo voltaic ("PV") panels

91% of investment asset energy consumption data collected (2022: 57%)

100% of landlord controlled waste diverted from landfill (2022: 100%)

Social

Face-to-face ESG engagement with 45% of single let occupiers by sq ft

OTPortal app developed, enabling regular communication with occupiers

£10,000 donated to charities local to our assets or provided through match funding

Governance

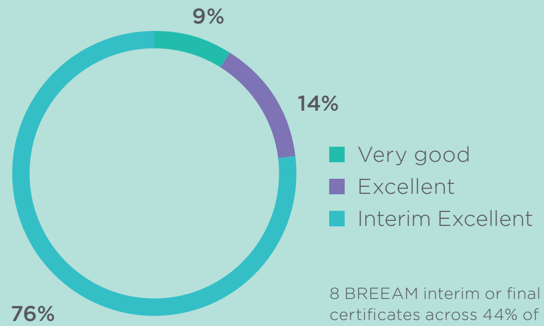
Net zero carbon commitment: 2040 for scopes 1 & 2 and 2045 for scope 3

Maintaining Board gender diversity **50%** female representation, including the Chair

ESG and climate-related risk framework implemented

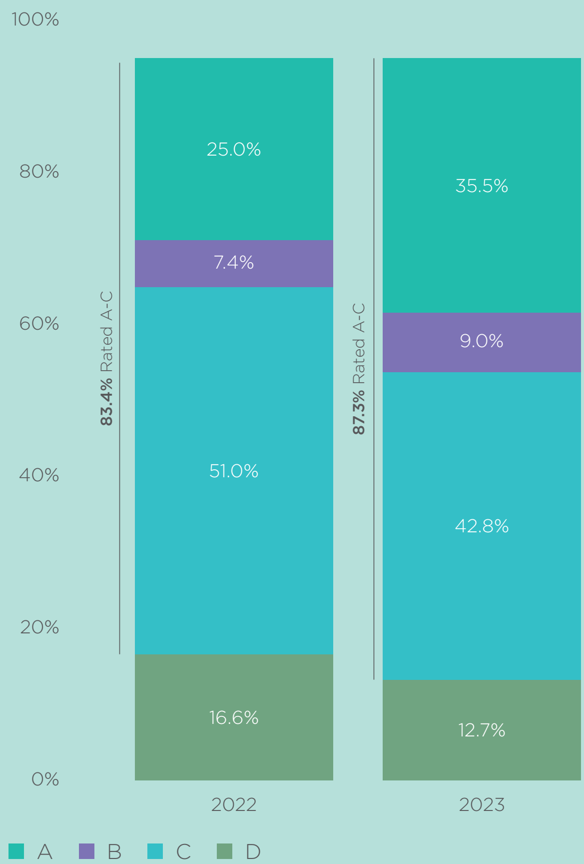
Awarded sBPR Silver Award and sBPR Most Improved Award by EPRA for 2022

BREEAM



8 BREEAM interim or final certificates across 44% of the total portfolio area

EPC ratings by area



Sustainability timeline

2021	Rolling Stock Yard, Lumen House, Merrifield and Cambourne purchased
2022	Oxford Technology Park and Herbrand Street purchased Sustainability Committee formed and Sally Ann Forsyth appointed Chair ESG stakeholder mapping and engagement Climate change scenario analysis and voluntary TCFD disclosure
2023	Completed first embodied carbon assessment at OTP Disposal of Lumen House Integrated climate and ESG risks into corporate risk register Group sustainability strategy and policy approved
2024	Launch net zero carbon pathway (see pages 42 to 43) Deliver first fully electric laboratory at Cambourne Conduct embodied carbon assessment for Cambourne repurposing project
2025+	Publish formal Net Zero Transition Plan Publish and report against TNFD
2030+	50% reduction in scope 1 and 2 emissions in line with the Company's Net Zero Pathway
2040	Target to achieve net zero for scope 1 & 2 carbon emissions
2045	Target to achieve net zero for scope 3 carbon emissions NHS commitment to be net zero across its supply chain
2050	UK Government net zero target

SUSTAINABILITY CONTINUED

Net zero pathway ("pathway")

Pathway ambitions

We recognise that we have a clear responsibility to support the transition to a net zero carbon economy. For a building, net zero carbon is achieved when all the carbon emissions associated with it, from production and operation through to deconstruction and end of life are zero or negative. The Group has an ambition to be net zero carbon across our scope 1, 2 and 3 emissions on the following basis and this commitment has been approved by the Board:

- to be net zero in scopes 1 and 2 carbon emissions by 2040; and
- to be net zero in scope 3 emissions by 2045.

These targets are ahead of the UK Government's target of 2050 and are aligned with industry best practice. Reductions will be achieved through a combination of energy efficiency, electrification and renewable energy. The Pathway has considered the Group's material carbon emissions associated with the energy consumption set out below.

Pathway scope

Scope 1 Landlord gas fuelled heating supplies[1]	**Scope 2** Landlord electricity supplies[1]	**Scope 3** Occupier controlled energy usage[2]
Existing portfolio (electricity & heat)		
Yes	Yes	Yes Occupier controlled energy usage[2]
Developments & repurposing (embodied carbon)		
N/A	N/A	Yes Embodied carbon of construction materials[2]
Overview of aims		
• Reduce usage • Phase out gas fuelled supplies • Improve data capture	• Reduce usage • Repurpose in line with sustainability standards • Purchase renewable backed electricity for all supplies • Maximise on-site renewable energy generation	• Encourage occupiers to reduce usage and adopt renewable energy sources • Phase out gas fuelled supplies • Repurpose and develop in line with Sustainability Standards • Maximise on-site renewable generation

1. Includes some occupier energy usage due to absence of sub metering.
2. Approach to other scope 3 emissions categories will be investigated further in 2024.

Pathway approach

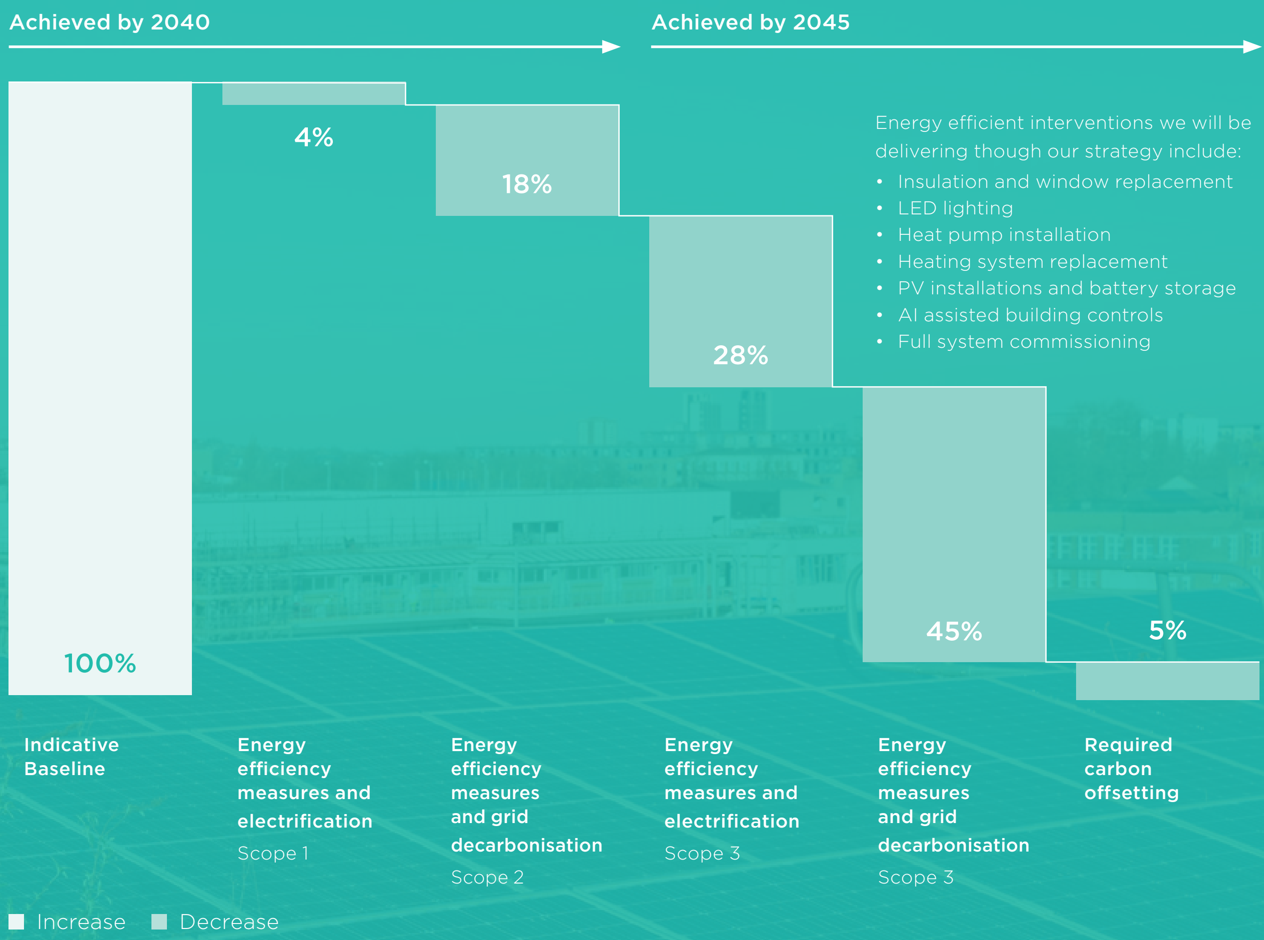
During 2023 we collated robust data for all the Group's scope 1 & 2 (direct) carbon emissions. We have increased our coverage of occupier energy use to 91% of the investment portfolio, providing real visibility over our scope 3 emissions. This data has enabled us to use 2023 as our baseline year for operational carbon.

The Pathway itself is generated by analysing the current lease terms and opportunities for repurposing on an asset-by-asset basis. This approach means the Group's decarbonisation solution is aligned to its long-term strategy.

The diagram shows our high-level pathway to net zero and the mechanisms we will use to achieve our goal. Our pathway is expected to deliver a reduction in absolute, operational carbon emissions of over 90%.

Our interim target for scopes 1 & 2 is a reduction in carbon emissions of 50% by 2030.

Indicative net zero pathway – operational carbon emissions



Development is also a key driver of carbon emissions and repurposing buildings for life science use poses a unique challenge, as labs can consume around five times more energy than the equivalent offices floor area. Therefore, the design, build and operation of lab spaces needs careful consideration to ensure space is both configured appropriately for the occupier and that the impact on the environment is minimised. These factors mean that the Group's carbon emission profile could potentially fluctuate depending on the timing of development and repurposing across the business.

Our OTP development in Oxford is a flagship asset for the Group, but because we acquired it once the development plans were fixed and delivery was underway, we have been unable to materially influence the choice of construction materials or techniques and the embodied carbon from this development is therefore out of scope for the Pathway.

However, the core strategy is to repurpose existing buildings and no other major developments are currently forecast and any future developments would be in scope. This year we conducted an embodied carbon assessment on the IQ at OTP and now have a much better understanding of how material choices and building techniques drive embodied carbon which we will apply to future projects.

More generally, our focus across the portfolio will be on improving our understanding of energy usage on an asset basis; by tracking emissions against targets on an annual basis and at a granular level we gain insights which will help us to minimise carbon emissions for our occupiers, supporting them on their journeys to net zero.

SUSTAINABILITY CONTINUED

Sustainability strategy

Our sustainability strategy comprises high-level objectives at the corporate level and is supported by more granular initiatives and targets for our assets, as well as the minimum standards we need to meet for developments and acquisitions. A key achievement of our programme this year has been to agree a net zero carbon pathway and to embed that in the Group's business plan but progress has been slower in some areas and these will be a focus for this year.

Environment

Reducing our impact on the environment, reducing carbon emissions and waste, and enhancing biodiversity.

Focus area	2023 Achievements	Targets for 2024	Status
Progressing net zero	• Net zero pathway commitments set and approved by the Board (see pages 42 to 43) • 2023 established as baseline year • 100% of scope 1 & 2 carbon emissions reported • 91% of investment asset energy consumption data captured (2022: 57%) including 75% of occupier procured energy (2022: n/a) • 383 tCO_2e absolute scope 1 & 2 carbon emissions, a 72% increase on prior year due to increased occupancy at RSY and OTP buildings completing	• Progress towards net zero by 2040 for direct (scope 1 & 2) carbon emissions (CO_2e) • Progress towards net zero by 2045 for indirect (scope 3) carbon emissions (CO_2e)	=
	• 52% of landlord procured energy Renewable Energy Guarantees of Origin ("REGO") backed	• 100% of landlord renewable energy procured	∨
	• PV feasibility study undertaken at OTP and energy audit undertaken at Cambourne including renewables options. PV on two sites currently	• Identify and progress opportunities for on-site renewables across portfolio	=
Achieving best-in-class building certifications	• Interim BREEAM 'Excellent' in design for buildings 3, 5, 6, 7 and the IQ (4A and 4B) at OTP. See BREEAM table on page 56	• Achieve BREEAM Excellent rating for ground-up construction projects and Very Good rating for repurposing projects	=
	• 87% of properties now EPC A-C rated (2022: 83%). 100% excluding Herbrand Street which is listed. See EPC ratings table on page 56	• Target minimum EPC rating B across the portfolio	∧
Sustainable development & repurposing	• Cambourne repurposing adopted sustainability standards on a comply or explain basis. Supplier appointment requirements included Considerate Contractor registration and Modern Slavery Act alignment • Embodied carbon calculated for the IQ at OTP • 100% of non-hazardous waste diverted from landfill	• Track and report on adherence to sustainable standards for repurposing and development • Zero non-hazardous waste to landfill	=
Supporting biodiversity	• Landscaping plan implemented at OTP, including dry and wet meadow areas, native shrubs and over 140 trees	• Biodiversity net gain on all developments • Biodiversity strategy for all assets	∨

In setting our sustainability strategy, we have aligned our approach to the following of the UN's Sustainability Development Goals where we can have the biggest impact:

Key: ∧ Ahead of target = On target ∨ Behind target

Social

Providing buildings that enhance wellbeing, encourage collaboration and enable a healthy workforce for our occupiers.

Focus area	2023 Achievements	Targets for 2024	Status
Providing healthy buildings	• The Fitwel healthy building checklist used for the Cambourne repurposing project	• Developments to achieve Fitwel certification with a minimum 2-star rating • Repurposing projects and existing portfolio to be assessed against Fitwel criteria	∨
Partnering with our occupiers on their sustainability objectives	• ESG stakeholder engagement with our staff, occupiers, investors and Board to identify areas of importance • One-to-one engagement with 45% of single unit occupiers	• Opportunity to collaborate on ESG matters offered to all occupiers by the end of 2024	=
Providing collaborative space	• Collaborative space delivered at the reception of RSY • Plans for collaborative space progressing at the IQ at OTP • OTPortal app developed and launched in 2024	• All multi-tenanted assets to have collaborative space on-site by 2025	=
Encouraging active travel	• Undertaken occupier travel survey at RSY • Progressing sustainable travel initiatives at OTP	• Green and active travel plans in place across portfolio including cycling facilities	=
Supporting local charitable organisations	• £9,000 donated to charities close to our assets including Science Oxford, Wintercomfort in Cambridge and Refugee Action • Additional £1,000 donated, matching Investment Adviser's employees' fundraising	• Annual corporate charitable plan	=

Governance

Setting the highest standards of corporate governance.

Focus area	2023 Achievements	Targets for 2024	Status
Maintaining best practice governance and oversight of ESG risks	• Sustainability Committee operational in 2023, see page 96. ESG Taskforce established • Separate ESG and climate-related risk register developed and framework established • Anti-corruption and whistleblowing policies approved by Board • Provided additional disclosure on Board and Investment Adviser employment	• Evolve best practice governance in line with GRESB, the Global Real Estate Sustainability Benchmark and TCFD recommendations demonstrating incremental improvement each year	=
	• 100% of new leases include energy data collection and collaboration on building performance; 87% include preservation of EPC rating	• 100% of leases contain green clauses aligned to principles	∧
Transparent disclosure and participation in industry benchmarks	• Awarded EPRA sBPR silver award and EPRA sBPR most improved award for the 2022 Annual Report	• Achieve Gold standard EPRA sBPR reporting for year ending 2023	∨
	• 2023 MCSI rating of 'B'	• Achieve incremental rating improvement for indices	∨

TCFD

A summary of the Group's climate-related financial disclosures is set out below. This aligns to the TCFD's four pillars – Governance, Strategy, Risk Management and Metrics and Targets and to the 11 specific TCFD recommendations. Progress against each recommendation is set out below.

Compliance Statement

Although the Group is exempt from the TCFD disclosure requirement as Listing Rule 9.8.6R(8) explicitly excludes closed-ended investment companies, the Group fully supports the recommendations and voluntarily discloses its alignment.

Pillar	TCFD recommendation	Compliance
Governance	a. Describe the Board's oversight of climate-related risks and opportunities	Consistent
	b. Describe management's role in assessing and managing climate-related risks and opportunities	Consistent
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	Consistent
	b. Describe the impact of climate-related risks and opportunities on the organisation's business strategy and financial planning	Developing: Climate-related risks and opportunities have been identified and materiality assessed and incorporated within business plan. Developing a quantitative approach over the medium-term.
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Consistent
Risk Management	a. Describe the organisation's processes for identifying and assessing climate-related risks	Consistent
	b. Describe the organisation's processes for managing climate-related risks	Consistent
	c. Describe how processes for identifying and managing climate-related risks are integrated into the organisation's overall risk management	Consistent
Metrics and Targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Consistent, and developing further metrics including energy intensity measures over the medium-term.
	b. Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas ("GHG") emissions, and the related risks	Consistent regarding scopes 1 & 2. Improving visibility over scope 3 emissions with visibility over 91% of investment assets energy data.
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Consistent

Governance

Describe the Board's oversight of climate-related risks and opportunities

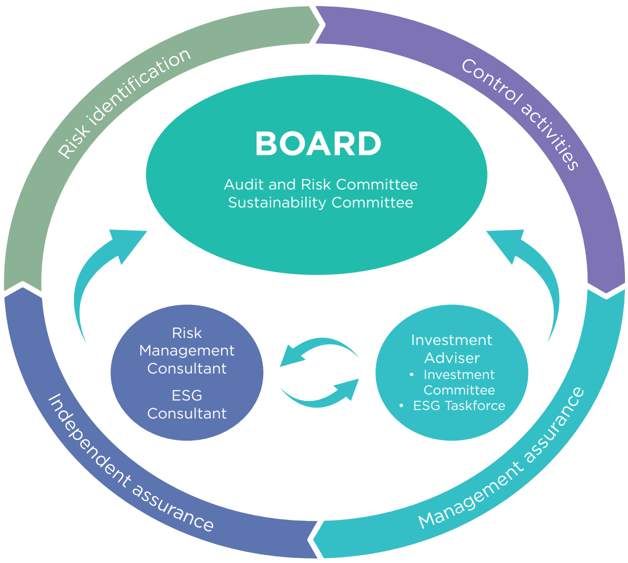
The Board, which is advised by Ironstone, the Investment Adviser, is responsible for setting the strategic direction of the Group, which includes delivery of the sustainability strategy. The Board has full oversight of climate-related risks and opportunities via the Audit and Risk Committee and the Sustainability Committee, as all Board Directors are members of both committees. At each Sustainability Committee the Investment Adviser provides the ESG risk register for review and comment, with attention drawn to any changes in risk rating, new or emerging risks. The Sustainability Committee recommends to AuditR Ltd ("AuditR") (the Group's independent risk management consultant) any key risks to be included in the corporate risk register which is subsequently presented to the Audit and Risk Committee by AuditR.

The Sustainability Committee is chaired by Sally Ann Forsyth and meets biannually to monitor progress against sustainability strategy targets, including climate-related risk mitigation.

The Investment Adviser provides quarterly updates at Board meetings on progress against the sustainability strategy goals and updates on ESG considerations more broadly to enable the Board to fully consider climate-related risks and opportunities in their decision making.

The Investment Adviser's Investment Committee meets to review and appraise investment advisory decisions for the Group including acquiring and disposing of assets.

Governance of climate-related risks and opportunities



Roles in governing climate-related risks and opportunities

The Board – Sets the sustainability strategy of the Group, monitors and has oversight of performance against targets

Audit and Risk Committee – Monitors and reviews risks and opportunities of the Group, including those that are key climate-related

Investment Adviser Investment Committee – Ensures expenditure is in line with the sustainability standards and targets

Investment Adviser – Responsible for preparing and implementing the sustainability strategy, including identifying, assessing and managing climate-related risk mitigation

Sustainability Committee – Monitors and reviews climate-related risks and opportunities, makes recommendations to the Audit and Risk Committee for additions/deletions to the corporate risk register via AuditR

Risk Management Consultant – AuditR prepares, provides expertise and manages the Group's Risk Management Framework

ESG Taskforce – A group of internal (Ironstone) and external expertise reviewing emerging climate-related risks and providing expert industry advice

ESG Consultant – Square Gain provides support on operational aspects of ESG, the regulatory landscape, and climate-related risks and opportunities

TCFD CONTINUED

Governance continued

Describe management's role in assessing and managing climate-related risks and opportunities

The Investment Adviser prepares and integrates the sustainability strategy within the day-to-day management of the Group's assets. The Investment Adviser works with the independent risk management consultant, AuditR, and the independent ESG Consultant, Square Gain, to undertake regular assessments of the Group's climate-related risks and opportunities. These assessments are undertaken alongside broader ESG topics and results in an updated ESG risk register including controls and mitigations which is provided to the Sustainability Committee for review biannually.

In 2023, the Investment Adviser introduced sustainability standards for acquisitions, development and repurposing. In line with which, the Investment Adviser undertakes environmental due diligence focused on the asset's vulnerability and resilience to key climate-related risks including flooding, subsidence, overheating and Minimum Energy Efficiency Standards ("MEES") compliance.

For detail on the climate scenario analysis see below. The Investment Adviser has established an ESG Taskforce, which comprises the Head of ESG, Director of Asset Management, Head of Investor Relations and Corporate Affairs and Square Gain. They meet monthly to prepare, manage and prioritise the sustainability strategy including climate-related risks at asset level. The ESG Taskforce is also consulted as appropriate on material investment decisions.

The Investment Adviser has been closely involved in the climate change scenario analysis set out below with the output discussed at the Investment Adviser risk review meeting and integrated into both the ESG risk register and the corporate risk register.

For full details of our Risk Management Framework see page 63.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term

Over the last year, under the stewardship of our Board, we continue to implement our sustainability strategy, to update, manage and mitigate the climate-related risks and opportunities across our portfolio. As part of our business strategy, a climate change scenario analysis was undertaken in 2022 and reviewed in 2023 to identify the short, medium and long-term physical risks to the business. The time horizons adopted were based on real estate lifecycles; as buildings have long design lifespans, climate-related issues often manifest themselves over the medium and longer term, therefore the following applies:

- short-term is considered up to 2025, aligned with the current period;
- medium-term is from 2025 to 2030, aligned with the period used for the Group's planning, forecasting and performance analysis; and
- long-term is from 2030 to 2050, beyond the current forecasting period, informing the longer-term investment plan.

Through the climate change scenario analysis and our broader risk management process we assessed both the physical climate risks posed by climate change, and also the risks that arise as we transition towards a net zero carbon economy. This year, the Group introduced a separate ESG register which includes the consideration and mitigation of both physical and transitional climate-related risks and we will continue to evolve our approach to measuring the impact of these.

The methodology applied to the climate change scenario analysis is set out below.

Climate change scenario analysis methodology

To take account of the diverse range of climate futures, we incorporate three of the Intergovernmental Panel on Climate Change's representative concentration pathways ("RCPs") measuring average global warming:

- RCP 2.6: 0.9-2.3°C
- RCP 4.5: 1.7-3.2°C
- RCP 6.0: 2.0-3.7°C

The pathways describe different climate futures, all of which are considered possible depending on the volume of GHGs emitted in the years to come. Using location data for each site, our analysis demonstrates how the severity of a broad range of climate impacts will change over time, at different levels of global warming, which depend on how rapidly GHG emissions are reduced.

A broader range of risks are constantly monitored by the Group. For the purpose of reporting the Group uses the impact and likelihood thresholds of our Risk Management Framework to define climate-related risks and opportunities (see pages 49 to 51). The potential impact of climate change is one of our principal risks, as we seek to reduce both our impact on the environment and the impact that climate change has on our business. Refer to page 72 in the risk section.

Climate-related risks and opportunities

Ref	Risk	Time horizon and risk description	Impact on strategy and planning	Impact on financial planning	Residual exposure
Acute Physical Risk (P)					
P1	Flooding	• Medium to long-term • Damage due to surface water and/or river discharge	• Flood risk modelling undertaken on all assets	• Cost of flood risk assessments • Cost of repairing/ maintaining buildings • Increased insurance costs • Loss of value of impacted buildings	Medium
P2	Extreme weather events	• Short-term – Damage from storm, extreme heat, wind • Medium and long-term – Subsidence, damage to structure of building	• Climate change scenario analysis undertaken • Introduced refurbishment and acquisition protocols which take account of climate risk factors • Comprehensive repair and maintenance programmes	• Increased insurance costs • Cost of cooling facilities • Increased cost of repair and maintenance	Low
Transition Risk (T)					
T1	Market – occupier demand	• Short to medium-term – Demand for sustainable space could result in a 'brown discount' on valuation or structural voids – Occupiers require additional amenities to support wellbeing	• Targeting minimum BREEAM Very Good rating and EPC B • Assessing opportunities for Fitwel certification • Comprehensive programme of occupier engagement to understand their needs	• Cost of delivering more sustainable buildings (low carbon materials, low carbon plant and equipment) • Cost of building certifications • Cost of delivering amenity space and renewable energy solutions	Medium
T2	Policy & legal – regulatory compliance	• Short to medium-term – Increasing volume of disclosure requirements – Complexity of data collection • Elevated risk of incorrect disclosures	• External advisers engaged to support on disclosure requirements and advise on regulatory landscape • Improving the robustness of our data through automated systems • Occupier engagement to support data collection • Acquisition and asset management protocols incorporating climate considerations	• Cost of external advice • Cost of improved data systems	Medium

TCFD CONTINUED

Strategy continued

Climate-related risks and opportunities continued

Ref	Risk	Time horizon and risk description	Impact on strategy and planning	Impact on financial planning	Residual exposure
Transition Risk (T) continued					
T3	Market – stranded assets	• Medium to long-term – Buildings become unlettable and cost of upgrades are not financially viable – Insufficient electrical capacity	• Acquisition and asset management protocols include climate risk analysis to identify how we can enhance climate resilience of our buildings • External advisers engaged to advise on regulatory landscape • Regular power usage audits undertaken and monitored	• Cost of more regular upgrades and improvements • Cost of external advice and third-party analysis • Occupier engagement to understand a building's performance	Medium
T4	Market – cost of decarbonisation plans	• Short-term – Cost of low carbon materials and processes rises, lack of green skills • Long-term – Cost of carbon offsets increases	• Business model focused on repurposing, incorporating sustainability considerations • Net zero pathway reduces carbon emissions prior to commitment date, minimising cost of offsetting	• Higher capital expenditure to deliver business plan • Loss of value for assets where business plan not delivered	Medium
T5	Market – cost of capital	• Medium-term – Higher cost of finance for less sustainable assets – Inability to access financing	• Business model focused on repurposing, incorporating sustainability considerations	• Higher cost of finance/inability to access financing	Medium

Rolling Stock Yard, London Knowledge Quarter

Ref	Opportunity	Time horizon and risk description	Impact on strategy and planning	Impact on financial planning
Opportunities (O)				
O1	Market – occupier demand	• Short to medium-term – Occupier demand for sustainable space could result in a "green" rental premium'	• Business model focused on repurposing, incorporating sustainability considerations	• Potential to drive rental growth
O2	Market – stranded assets	• Short to medium-term – opportunity to acquire discounted 'brown' assets and re-purpose	• Acquisition targeting	• Potential to deliver enhanced returns
O3	Market – cost of capital	• Long-term – Access to green finance	• Continue to explore green financing opportunities	• Lower cost of finance
O4	Energy source	• Short to medium-term – Increasing on-site renewables	• Renewables feasibility studies • Collaboration with occupiers • Regularly review EV charging provision	• Potential for additional income streams • Initial capital outlay

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

The Group believes climate change is a critical risk for real estate and has approved targets to achieve net zero carbon for scope 1, 2 and 3 emissions. Our adopted sustainability standards include guidance for acquisitions, ground-up construction and repurposing works which focuses on using energy more efficiently, making our assets more resilient and reducing operating costs for our customers. Pages 44 to 45 sets out the progress made on our sustainability strategy in more detail in addition to our metrics and targets.

A key part of our strategy is engagement with occupiers, and with the market trending towards more sustainable spaces, it is important we understand their evolving needs and aspirations so occupier engagement is key to our approach.

This year, the Group has also taken steps to improve the quality of asset energy data reported which now covers 91% of the investment asset area, an increase of 34% compared to last year.

This year the Group has taken several steps towards supporting the net zero pathway, completing a PV feasibility study at two of our sites and is looking to increase capacity for renewable energy generation across our sites in the short-term.

The Group has committed to a robust plan for transitioning to a low carbon economy, which is aligned with our plan to decarbonise assets when repurposing and refurbishing. As detailed in our sustainability standards, our approach incorporates electrification, energy efficiency and renewable energy.

The operational and financial impacts and additional considerations the Group is reviewing due to climate-related risks are set out on page 72.

Reflecting the importance it attributes to climate-related issues, the Board undertakes at least annual training on climate-related matters to better assess their impact on strategy. The ESG Taskforce updates the Sustainability Committee on market trends and asset-specific climate-related issues. The Group closely monitors UK climate-related regulation so the financial and operational impacts are identified early and incorporated into the business plan.

TCFD CONTINUED

Strategy continued

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower (above pre-industrial levels) scenario

The Group's sustainability strategy takes into consideration different climate-related scenarios, including a 2°C or lower scenario, and uses RCP 2.6, RCP 4.5 and RCP 6.0, to ensure our individual assets and business operations have resilience in each of these scenarios.

Based on this analysis, our vulnerability to all physical climate risks is low up to 2030. In the RCP 6.0 post-2050 scenario, the risks assessed as material are from flooding and building inoperability due to overheating. However, these risks do not take account of existing mitigation or adaptation measures at a site level.

We manage, minimise and mitigate our climate risks and ensure resilience through implementing a range of measures; this includes flood risk assessments on acquisition, as well as targeting BREEAM certifications, and EPC A or B ratings.

In addition, when acquiring new buildings, we will undertake an environmental assessment and climate risk analysis as part of the due diligence process. This helps to ensure that we can enhance the asset's climate resilience when works are undertaken to refurbish and repurpose the asset to life science use.

New leases include clauses designed to assist with delivering our climate change ambitions, for example requiring any building alterations to be of a type and quality that does not adversely impact the EPC rating and the provision of energy consumption data to enable measurement of the portfolio's decarbonisation towards our net zero pathway targets.

Risk management

Describe the organisation's processes for identifying and assessing climate-related risks

We have an ESG risk register, with the significant climate-related risks being included in our corporate risk register. The climate-related risks are reviewed and assessed in line with all other types of risks, applying the same principals and terminology and identifying and implementing mitigations accordingly.

Our risk assessment process for prioritising climate-related risks incorporates an assessment of existing and emerging regulatory requirements, and the potential materiality of the impact on operations. This considers both the acute and chronic physical risks, and the transition risks as we move to a net zero carbon and climate resilient economy (in line with TCFD recommendations). Our assessment has shown that our portfolio is resilient and that these risks are adequately mitigated at the present time.

Prior to each Sustainability Committee, the ESG Taskforce (supported by AuditR and Square Gain) reviews the ESG risk register, updating it as appropriate and discussing any emerging climate-related risks. The Sustainability Committee, reviews the climate-related risks and any proposed changes to the corporate risk register are recommended to the Audit and Risk Committee.

For full details of the Risk Management Framework and consideration of emerging risks see pages 63 to 65 and for detailed description of the roles and responsibilities of the Sustainability Committee see page 96.

Describe the organisation's processes for managing climate-related risks

The Investment Adviser regularly reviews and updates the corporate risk register, which is reported to each Audit and Risk Committee meeting, highlighting any emerging risks, and any changes to existing risks; the controls in place; and our exposure to that risk. The Audit and Risk Committee reviews the risk register, with particular focus on the principal risks and any emerging risks (including climate-related risks), and provides updates to the Board.

The Audit and Risk Committee also monitors our risk management processes and approves relevant disclosures. It is responsible for monitoring financial reporting and external audit plans and outputs, as well as providing assurance to the Board in relation to financial, operational and compliance controls, all of which are designed to manage our exposure to risk.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

We have established the climate-related risk identification, assessment and management into our core risk management framework. For full details of our Risk Management Framework see page 63.

Metrics and targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

The metrics used by the Group to assess climate-related risks and opportunities are aligned with TCFD recommendations and detailed in the sustainability strategy and risk management process. Metrics on climate-related risks associated with water, energy, land use and waste management, are included and considered to be the most appropriate for the Group at present. These metrics are reviewed on an annual basis to ensure they are consistent with sector-wide disclosure. As data develops, the Group is committed to providing historical data to aid trend analysis; further details on our metrics and targets can be seen in the table below and in the EPRA sBPR report on pages 54 to 59.

Disclose Scope 1, Scope 2 and Scope 3 GHG emissions, and related risks

In prior years, the Group has focused on measuring scope 1 and 2 GHG emissions; these are consistent with cross-industry climate-related metric categories and the GHG Protocol (see the EPRA sBPR report on pages 54 to 59). This year, given the significant contribution of occupier emissions to our scope 3 performance, we have also focused on improving our visibility over occupier energy usage.

We have engaged with occupiers over 2023 and are making significant progress to collect, collate and measure robust scope 3 data, and to develop plans to enhance energy efficiency and achieve carbon savings. These activities also support our occupiers' own sustainability ambitions.

Currently, the Group is responsible for the majority of its occupiers' energy procurement; 79% of the landlord-procured energy was consumed by occupiers, with the remainder being used in common areas and voids.

The most significant opportunity to minimise carbon and improve energy efficiency across the portfolio, is at the time when buildings are repurposed to laboratory space. These key intervention points have been mapped on every asset and form the basis for our decarbonisation pathway as we transition to net zero emissions by 2040 for scope 1 and 2 GHG emissions, and by 2045 for scope 3 GHG emissions. See pages 42 to 43 for further detail on our net zero carbon pathway.

Disclose the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The Group uses a suite of targets to manage climate-related risks and opportunities. For reporting purposes we have set out the Group's targets in the table below. See the full report on progress against our sustainability strategy on pages 44 to 45 for further details.

Environmental

Risk/ opportunity	Metric	Page	Key target
P2, T3, T4, O2	• % repurposing projects to meet internal sustainability standards	See Achievements, p44	100% comply or explain
T2	• Absolute scope 1 & 2 carbon emissions and scope 3 emissions	See EPRA sBPR, p57	Net zero by 2040 for scope 1 & 2 2045 for scope 3
T2	• Energy intensity	See EPRA sBPR, p57	Target to be set this year
T1, O2	• Portfolio EPC performance	See Highlights, p40	B rating for all buildings
T1, O2	• Number of assets with Excellent or Very Good BREEAM certifications	See Highlights, p40	Minimum BREEAM Excellent for ground-up construction projects and Very Good for refurbishments
O4	• Number of assets with on-site renewables	See EPRA sBPR, p56	Identify and progress opportunities for on-site renewables across portfolio, targeting OTP for 2024
O4	• % electricity purchased from renewable sources	See EPRA sBPR, p56	100%

EPRA sBPR REPORTING

To maintain a high level of ESG related transparency and disclosure, the Group reports against relevant ESG indicators in accordance with the third edition of the European Public Real Estate Association ("EPRA") Sustainability Best Practice Recommendations ("sBPR") and the Streamlined Energy and Carbon Reporting ("SECR") requirements. Greenhouse gas ("GHG") emissions are calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard and the corresponding scope 1, scope 2 and scope 3 guidance.

For the progress on implementing the Group's sustainability strategy and the detailed management approach of different material sustainability topics, please refer to the sustainability section of this Annual Report, starting on page 38.

The Group's EPRA sBPR response has been split into the following four sections:

- Reporting methodology
- Environmental performance measures
- Social performance measures
- Governance performance measures

Reporting methodology

Organisational and operational boundaries

As at 31 December 2023, the Group's total investment in real estate represented five assets (the Group's organisational boundary) which excludes the assets under development at OTP. The Group's EPRA sBPR reporting boundary is based on the principle of operational control, meaning that assets are included where the Group has the operational control, via its property managers. The Group has operational control over some of the units at four assets but the remaining units and the fifth asset are single occupancy assets with no utilities purchased by the landlord. Unless otherwise stated, all absolute performance measures relating to electricity, fuels and associated GHG emissions relate to space where the Group procures utilities including common areas, shared services and lettable areas (including vacant units).

The Group's scope 3 carbon emissions for landlord procured occupier consumption and occupier procured consumption are reported on page 57.

Coverage

EPRA sBPR coverage in this report represents 63% of the investment assets by floor area (sq ft).

Merrifield, 46% of Cambourne, and 47% of OTP investment assets by floor area are let as single occupancy assets with no operational control, therefore the Group has no authority to introduce or implement its operating policies and procedures.

The Group reports on these assets, where possible, via occupier procured scope 3 reporting in the table on page 57. Coverage of the occupier controlled units is 75%. Therefore, the Group has 91% coverage of the total organisational boundary.

The Group does not have any partially owned entities.

Like-for-like performance indicators include properties within this scope for which the Group collected data for two consecutive years and excludes units sold, or under development during 2022 and 2023. The Group's like-for-like portfolio includes two assets, the multi-let units at Cambourne and RSY, together 63% of the EPRA reporting boundary.

Disclosure on own offices

The Group is externally managed and does not occupy any offices for its business activities, nor does it own or lease any vehicles. The Investment Adviser oversees all the management and administrative duties, are not covered by this report because it is a separate legal entity from the Group.

Segmental analysis

Segmental analysis is not applicable by geography or property type as the five assets owned by the Group as of 31 December 2023 are all located in the United Kingdom within the same climatic zone and are all life science real estate within the offices sector. For this reason, additional analysis by geography and property type is not applicable.

Reporting period

Performance measures of absolute and intensity metrics are reported for the year ending 31 December 2023. Performance measures for like-for-like metrics are reported where sufficient data for the prior year ended 31 December 2022 is available. OTP and Herbrand were acquired in 2022, and Lumen House was sold in 2023, therefore data for two consecutive years is not available and they are excluded from the like-for-like metrics.

Data estimation

The Group aims to report as complete and accurate data as feasible and practicable. All actual data is based on invoices and meter readings; estimations have been applied where invoices were not available at the time of publication. Where data was only partially available within the reporting period, the Group has adopted the following approach for data estimation:

1. estimate consumption/generation data based on the most recent three months of available actual data; or
2. estimate consumption/generation data based on available actual data from the same period in the previous reporting year.

Following this rule of data estimation, the proportions of estimated data for energy and water for 2023 were 1.5%, and 4% with less than 1% of waste data estimated.

Employee related Social Performance Measures are normalised using full-time equivalent numbers of employees.

GHG emissions calculation

Scope 1, 2 and 3 GHG emissions were calculated using the UK Government GHG Conversion Factors for Company Reporting for the respective reporting periods. The Group reports scope 2 and available scope 3 GHG emissions using location and market-based methods. Location-based emissions reflect the average emissions intensity for energy production in a defined local or national region.

Market-based scope 2 and 3 GHG emissions were calculated using the European residual mixes factors (version 2022), which are default emission factors representing the untracked or unclaimed energy and emissions, and the zero emissions factor for both REGO backed electricity supplies and on-site renewable energy generation from PV. The proportion from renewable sources is based on renewable energy purchases plus renewable electricity generated from on-site PVs and directly consumed. PVs are installed at two of the Group's five assets (Cambourne and Rolling Stock Yard).

The intensity ratios for energy, water and GHG emissions are expressed as landlord procured utility per floor area m^2. All assets within the EPRA reporting boundaries, which were owned and managed during the full 2023 reporting year, were included in the calculation of intensity.

Data verification and assurance

All underlying data for the environmental measures was provided by Savills UK Sustainability Team and externally checked by Square Gain. All social performance measures were externally checked by Square Gain.

Occupier procured utilities are provided by the occupiers and have not been third-party verified. Subsequent calculations have been provided by Square Gain.

Materiality

In accordance with the Group's materiality assessment, the following performance measures are excluded from reporting: DH&C-Abs and DH&C-LfL as no district heating or cooling is procured across the portfolio.

Social performance measures have been included for the Investment Adviser, a separate legal entity which handles all administrative duties related to the asset management of the Group. Emp-Training, Emp-Dev, Emp-Turnover and H&S-Emp have been excluded for the Group reporting as it has no employees.

Environmental performance measures

In 2023, the Group procured 9,267MWh of energy for use across the landlord controlled utilities of its assets, of which 58% were electricity consumption and 42% were gas consumption. The Company is responsible for the majority of its occupiers' energy procurement and 79% of the landlord-procured energy was consumed by occupiers. During the reporting year, 127 MWh of electricity was also generated from the solar PV panels installed and consumed on-site. The year on year like-for like figures demonstrate an increase of 16% for total landlord procured energy. Analysis suggest that this is due to increased occupation of Rolling Stock Yard, and Cambourne phase 1 and 2 as occupiers reduced working from home post-covid.

Reported total water consumption of the portfolio in 2023 was 2,974m^3. Water consumption data was available for three units where we have operational control and does not fully reflect the actual consumption of the landlord controlled units. No obvious trend can be observed in water consumption across the portfolio, with the reduction of 13% on a like-for-like basis attributed to natural fluctuation, primarily at Rolling Stock Yard.

Total scopes 1 & 2 (location based) GHG emissions for the reporting year was 383 tonnes CO_2e, split 28% scope 1 and 72% scope 2. Renewable electricity accounted for 59% of the total electricity purchased and generated during the year, resulting in a scope 2 (market based) GHG emissions of 79 tonnes CO_2e.

Procured and generated renewable energy increased by 43% as REGO backed tariffs have been secured on new contracts in 2023. REGO-backed tariffs are in place for 63% of investment assets by floor area.

In 2023, total managed and reported waste was 95 tonnes. All waste was diverted from landfill, of which 50% was reused or recycled and 50% incinerated with energy recovery. On a like-for-like basis the total weight of waste has reduced, by 15%.

All of the Group's assets are in full compliance with the latest MEES requirements. 87% of the total portfolio floor area has an EPC rating of A to C. Rolling Stock Yard has a BREEAM Excellent certificate; Building 2 at OTP is rated BREEAM Very Good and Buildings 1, 3 and 4 (which are completed) and 5, 6 and 7 (which are developments) have Interim BREEAM Excellent certificates.

EPRA sBPR REPORTING CONTINUED

Environmental performance measures continued

EPRA indicator	Certificate	2022 Number of certificates	2022 % of Organisational boundary by floor area	2023 Number of certificates	2023 % of Organisational boundary floor area
Building certifications					
Cert-Tot	**BREEAM Certificates within Organisational Boundary**				
	BREEAM Excellent	1	11.0%	1	10.0%
	BREEAM Interim Excellent	1	6.7%	3	25.7%
	BREEAM Very Good	1	6.8%	1	6.5%
	Total with Certification	**3**	**24.6%**	**5**	**42.2%**
	BREEAM Certificates – Development projects (outside Organisational Boundary)				
	BREEAM Interim Excellent	—	—	3	n/a
	EPC ratings within Organisational Boundary				
	EPC A	3	25.0%	14	35.5%
	EPC B	1	7.4%	2	9.0%
	EPC C	7	51.0%	6	42.8%
	EPC D	2	16.6%	1	12.7%
	EPC E or below	—	—	—	—
	Total	**13**	**100.0%**	**23**	**100.0%**

EPRA Code	Measure	Managed portfolio 2022	Managed portfolio 2023	Managed portfolio % change	Like-for-like 2022	Like-for-like 2023	Like-for-like % change
Energy consumption, MWh							
Elec-Abs, Elec-LfL	Landlord procured electricity	3,882	5,371	38%	2,962	3,550	20%
	Landlord procured, controlled by occupier	3,272	4,037	23%	2,436	2,499	3%
	Total on-site renewable electricity generation	155	127	(18)%	155	127	(18)%
	Proportion of procured and generated electricity from renewable sources	16%	59%	43%	20%	76%	55%
	Occupier procured electricity	n/a	2,761	n/a	n/a	n/a	n/a
DH&C-Abs, DH&C-LfL	Landlord controlled areas	None of our assets are connected to or benefit from district heating and cooling.					
Fuels-Abs, Fuels-LfL	Landlord procured fuels	2,824	3,896	38%	2,492	2,758	11%
	Landlord procured, controlled by occupier	2,249	3,311	47%	1,918	2,173	13%
	Occupier procured fuels	n/a	2,432	n/a	n/a	n/a	n/a
Total energy*	**Total landlord procured**	**6,705**	**9,267**	**38%**	**5,454**	**6,308**	**16%**
	Landlord procured, controlled by occupier	5,522	7,348	33%	4,353	4,672	7%

EPRA Code	Measure	Managed portfolio			Like-for-like		
		2022	2023	% change	2022	2023	% change
Total energy[1]	Landlord procured and generated	6,860	9,394	37%	5,608	6,435	15%
	Proportion estimated	0.3%	1.5%	1.2%	0.3%	0.0%	(0.3)%
	Disclosure coverage / EPRA reporting boundary	100%	100%	—	64%	53%	(11)%
Energy intensity MWh/m²							
Energy-Int	Landlord procured and generated	0.34	0.36	6%	0.34	0.39	15%
	Occupier procured	n/a	0.28	n/a	n/a	n/a	n/a
Greenhouse gas emissions, tCO_2e							
GHG-Dir-Abs, GHG-Dir-LfL	Total direct GHG emissions, scope 1	105	107	2%	105	107	2%
GHG-Indir-Abs, GHG-Indir-LfL	Total indirect GHG emissions, scope 2 – location based	118	276	134%	102	218	114%
	Total indirect GHG emissions, scope 2 – market based	89	79	(11)%	60	1	(98)%
	Total indirect GHG emissions scope 3 (landlord procured occupier consumption)	1,043	1,442	38%	821	915	11%
Total direct and indirect	**Scope 1 and 2 (location based)[1]**	**223**	**383**	**72%**	**207**	**325**	**57%**
GHG-Int[2]	GHG emissions intensity, scope 1 and 2, tonnes CO_2e/ m²	0.01	0.01	10%	0.01	0.02	57%
Water consumption, m³							
Water-Abs, Water-LfL	Total landlord procured	3,430	2,974	(13)%	3,430	2,974	(13)%
	Proportion estimated	12%	4%	(8)%	12%	4%	(8)%
	Disclosure coverage / EPRA reporting boundary	54%	45%	(9)%	54%	45%	(9)%
Water-Int	Water intensity, landlord procured, m³/m²	0.24	0.21	(13)%	0.24	0.21	(13)%
Landlord waste management, tonnes and proportion of waste disposal route, %							
Waste-Abs, Waste-LfL	Recycled or re-used	75	48	(36)%	14	12	(12)%
	Incineration with energy recovery	86	47	(45)%	22	18	(16)%
	Sent to landfill	—	—	—	—	—	—
	TOTAL	**161**	**95**	**(41)%**	**36**	**30.4**	**(15)%**
	Proportion estimated	51%	0.4%	(51)%	11.5%	0.0%	(12)%
	Disclosure coverage / EPRA reporting boundary	90%	75%	16%	64%	53%	(11)%
	Recycled or re-used	46%	50%	4%	38%	39%	1%
	Incineration with energy recovery	54%	50%	(4)%	62%	61%	(1)%

1. Scope 2 location based emissions used for reporting total emissions and GHG emissions intensity.
2. Only assets with full year data are considered for the calculation of GHG emissions intensity.

EPRA sBPR REPORTING CONTINUED

Social performance measures

The Group reports on all applicable EPRA sBPR social performance metrics. Being an externally managed company with no employees, disclosure is focused on the Board. There are some limits to the measures that can be reported regarding the Board. Social performance measures for the Investment Adviser are included, where indicated below, as whilst a separate legal entity, they handle all administrative duties related to the asset management of the portfolio.

EPRA Code	Measure	2023	2022
Diversity-Emp	Board gender diversity %	Female 50% Male 50%	Female 50% Male 50%
	Investment Adviser gender diversity %	Female 64% Male 36%	
Diversity-Pay	Board salary ratio of men to women, reported by median basic salary	(2.7)%	Not reported in 2022
	Investment Adviser ratio of men to women, reported by median basic salary	46.1%	
Investment Adviser			
Emp-Training	Employee training and development, average hours/year/employee	12	
Emp-Dev	Proportion of employees with performance appraisals	100%	
Emp-Turnover	New hires and rate of new employee hire	1 and 8%	Not reported in 2022
	Total number of employee turnover and rate	1 and 8%	
H&S-Emp	Absentee rate (per days scheduled)	0.1%	
	Injury rate (per 100 hours worked)	–	
	Lost day rate	–	
	Number of work related fatalities	–	
Health and safety metrics (Group)			
H&S-Asset	Proportion of asset health and safety assessments	100%	100%
H&S-Comp	Asset health and safety compliance, number of incidents unresolved within the required timeframe	–	–
Comty-Eng	Community engagement, impact assessments and development programmes, proportion of assets	–	–

Oxford Technology Park, Oxford

Governance performance measures

Governance performance measures relate to the Board. For full background information on the Group's governance performance measures, including a profile of the Board, a description of nomination procedures, and processes for managing potential conflicts of interest, please see pages 78 to 87.

Non-Executive Director Sally Ann Forsyth has significant experience relating to developing and implementing strategies to improve social and environmental impacts in the life science industry.

Richard Howell leads the ESG strategy at Primary Health Properties PLC including the development of a net zero carbon strategy focusing on five key steps to achieve this across the group's operational, development and asset management activities by 2030 and to help its occupiers achieve net zero carbon by 2040.

Michael Taylor as Director of the British Heart Foundation has significant experience relating to developing and implementing strategies to improve social and environmental impacts of funders in the life science sector.

EPRA Code	Measure	2023	2022
Composition of the highest governance body			
Gov-Board	Number of executive Board members	4	4
	Number of non-executive Board members	4	4
	Average tenure on the governance body (months)	25	13
	Number of non-executive Board members with competencies relating to ESG topics	3	1
Gov-Select	Process for nominating and selecting the highest governance body	See corporate governance section, pages 78 to 87	
Gov-Col	Process for managing conflicts of interest		

Rolling Stock Yard, London Knowledge Quarter

OUR STAKEHOLDERS

Occupiers

Meeting the needs of our occupiers is fundamental to our business. They rely on us to provide the space in which they can operate and we in turn rely on them for timely rental payments.

Stakeholder interests

- The suitability and location of our assets for life science occupiers, and their attractiveness as a workplace
- Rental levels, lease lengths and terms
- Our knowledge and understanding of their businesses
- Our asset management plans
- Our financial strength
- Our intentions to hold or dispose of the asset they lease from us
- Our sustainability strategy and existing sustainability credentials of our assets

How we engage

- The Investment Adviser builds relationships with current and potential occupiers, and reports to the Board on occupier issues
- The Investment Adviser's asset management team visits site and meets occupiers' key decision makers, to learn about their businesses and space requirements
- The property managers also engage with occupiers at an operational level
- The Investment Adviser's Head of ESG and specialist consultants engage with occupiers, to identify mutual ESG targets

Outcomes

- Engagement with potential occupiers revealed growing demand for landlords to fund fit-out, which we are responding to at Cambourne and OTP by creating fully fitted laboratories
- Occupier engagement was an important input for developing the new branding at Cambourne (see page 32)
- Energy audit at Herbrand Street identified cost savings for the occupier
- See our occupier insight section on pages 26 to 27 for details on why two occupiers have chosen our assets

Shareholders

To continue to grow our business, we need supportive shareholders. We look to communicate with them regularly and openly, and to provide high-quality corporate reporting.

Stakeholder interests

- Our ability to source accretive investments and add value through asset management, to drive our total return
- Our financial and operational performance
- The security of our future dividends
- Our approach to ESG
- The Board's skills and experience
- The Investment Adviser's skills, experience and recruitment to support our growth

How we engage

- The Investment Adviser leads our investor relations programme, meeting major shareholders and potential investors throughout the year, and, along with our corporate broker, provides feedback to the Board
- We offer regular asset tours
- In April 2023 we held our first capital markets day, with a number of guest speakers from the life sciences sector and 45 attendees
- We also engage through a number of other channels including regular news flow, the Group's website, the Annual Report and the Annual General Meeting
- If requested, we hold separate ESG conversations

Outcomes

- Rebased dividend to 2.0 pence per share (paid and declared) for 2023 in order to effectively progress the Group's strategy and to deliver on the value accretive opportunities the Group has created whilst maintaining a dividend which is sustainable and substantially covered by adjusted earnings over time.
- Net zero carbon commitment, aligned to sector best practice and reflecting the importance of net zero to our investors
- Improving the scope and quality of our ESG data

Service providers

As an externally managed business we depend on our service providers, particularly the Investment Adviser.

Stakeholder interests

- The terms of their engagement
- Clarity of fees
- Open and two-way communication
- Prompt payment

How we engage

- The Board regularly engages formally and informally with the Investment Adviser, with representatives of the Investment Adviser attending Board and Committee meetings by invitation
- The Investment Adviser is primarily responsible for day-to-day interaction with our other service providers and keeps the Board informed as necessary
- The Management Engagement Committee oversees and reviews service provider performance on the Board's behalf (see pages 94 and 95)

Outcomes

- The Investment Adviser has regular meetings with external service providers at least on a quarterly basis and more frequently if required
- Commitment to prompt payment
- Service providers deliver regular reporting to the Investment Adviser either on a monthly or quarterly basis

Lenders

We look to build strong relationships with lenders, who provide the debt facilities needed to support our business growth.

Stakeholder interests

- The quality of the security we provide for our loans
- Our ability to meet our interest payments
- The strength and diversification of our income streams
- Hedging of interest rates where appropriate
- The suitability of our projects for Green Finance

How we engage

- The Investment Adviser is primarily responsible for engaging with lenders and keeps the Board informed as necessary

Outcomes

- Engagement with lenders during the year enabled us to:
  - extend the term of our bank facilities;
  - add Bank of Ireland to our banking syndicate;
  - define £40 million of the term loan as a Green Loan; and
  - cap the SONIA reference rate on the facilities.

See note 17 on pages 129 to 130 for more information.

Our other stakeholders

In addition to the key stakeholders listed above, we have other stakeholders that are important to us. For example, local councils may be significant stakeholders in relation to individual assets, where we may need planning permission for our asset management or development plans.

SECTION 172(1) STATEMENT

Under section 172(1) (a)-(f) of the Companies Act 2006, the Directors are required to take into account the matters set out in the table below, and to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors must also consider the interests of key stakeholders and the environment in their discussions and decision making. Set out below are the matters the Board is required to take into account under section 172(1).

Taking account of stakeholder views

Information on stakeholder engagement, including how the Board is kept informed about stakeholder views, can be found on pages 60 to 61. This engagement is an important input into the Board's decision making. The Directors keep the methods for engaging with stakeholders under review, to ensure they remain effective.

Key Board decisions

The Board's key decisions during the year included:

- determining the second interim dividend in respect of the prior year and first interim dividend in respect of the current year, totalling 4.0 pence per share;
- approving the two refinancings of the Group's debt facilities;
- approving the annual budget for 2024; and
- approving the sustainability strategy and policy, including the proposed timeframe for achieving a transition to net zero.

Matter	Response
a) The likely consequence of any decision in the long-term.	During the year, the Board approved the repurposing of the ground floor of Building 2020 at Cambourne into fully fitted labs (see pages 24 to 25). The long-term benefits of the investment include a material uplift in the rental levels for this space, as well as helping to establish Cambourne as a life science hub, which in turn should assist with letting other vacant space on the park. While the Board was not required to approve the Lumen House disposal, which has helped to fund the repurposing at Cambourne, it was supportive of the transaction, which balanced the short-term loss of rental income from Lumen House with the longer-term benefits at Cambourne.
b) The interests of the Company's employees.	As an externally managed company, we do not have any employees, so this matter is not applicable. For the Investment Adviser, we conducted our first employee survey this year and are responding to feedback.
c) The need to foster the Company's business relationships with suppliers, customers and others.	The Board's approval of the Cambourne repurposing project took into account the needs of potential occupiers for the space. During the year the Management Engagement Committee tendered the Company Secretarial function, which was provided by Link Company Matters Limited ("Link"). Three service providers were shortlisted, with the Committee ultimately agreeing to re-appoint Link. The Management Engagement Committee recommended the continuing appointment of all other key service providers, which the Board subsequently approved.
d) The impact of the Company's operations on the community and environment.	The Board and Sustainability Committee have continued to develop the sustainability strategy, including setting a net zero carbon commitment and implementing an ESG and climate-related risk framework. We have a landscaping plan in place at OTP and commitments to biodiversity net gain on all developments and a biodiversity strategy for all assets. In addition, we donated £10,000 in the year to charities local to our assets or in match funding for Ironstone employees.
e) The desirability of the Company maintaining a reputation for high standards of business conduct.	During the year, the Board approved anti-money laundering, anti-bribery and corruption and whistleblowing policies, ensuring the Company maintains high governance standards. These policies can be found on the Company's website **https://lifesciencereit.co.uk/about-us/corporate-governance/**.
f) The need to act fairly between members of the Company.	The Company Board is fully independent and no shareholder or group of shareholders has direct influence over the Board's decisions. At 31 December 2023 the Investment Adviser and its principals owned 3.8 million shares in the Company valued at c. £2.4 million (4.3 million shares valued at £1.8 million as at the date of this report), aligning their interests with those of shareholders.

PRINCIPAL RISKS AND UNCERTAINTIES

Effective management of risk underpins the delivery of our strategy and the successful performance of the business. A clear understanding of business risks and opportunities, assessed against our appetite for those risks, guides our decision making at all levels.

Overall risk culture

Our financial and operational performance and reputation are subject to several risks and uncertainties. These risks could, either separately or in combination, have a material impact on our performance, occupiers, third-party service providers, the environment and shareholder returns.

The Board supported by its advisers, is responsible for identifying, understanding, considering and acting on the Group's current and future risks. Our risk culture is designed to enable to decisions to be made within agreed parameters and recognised accountabilities to support the delivery of our objectives.

Responsibilities

The Board has overall responsibility for managing risk, identifying principal risks that may affect the Group's objectives and determining the nature and extent of risk exposure that the business is willing to take in pursuit of its strategy. The Audit and Risk Committee, on behalf of the Board, oversees the Group's framework for risk management.

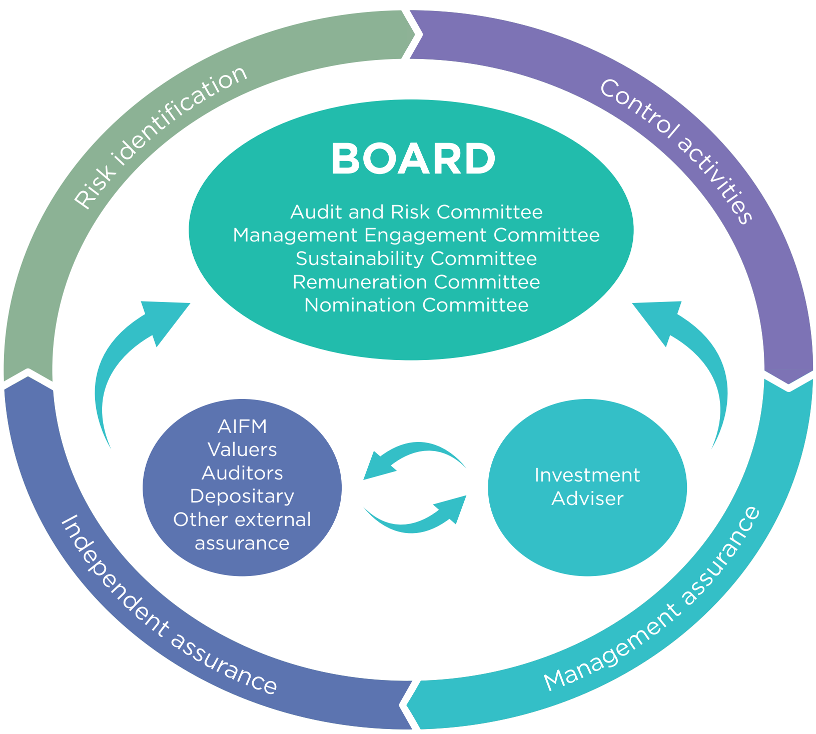
Our framework for risk management is approved by the Board. It sets out how we identify, evaluate and report on our current and emerging risks, and incorporates the assessment of the controls and mitigation strategies we have in place for each documented risk. We apply a consistent evaluation framework to the assessment of risks, providing a clear basis for considering threats and opportunities across our activities.

Our approach

The Investment Adviser regularly reviews and updates the corporate risk register, which is reported to each Audit and Risk Committee meeting, highlighting any emerging risks, and any changes to existing risks; the controls in place; and our exposure to that risk. The Audit and Risk Committee reviews the risk register, with particular focus on the principal risks and any emerging risks, and provides updates to the Board.

The Audit and Risk Committee also monitors our risk management processes and approves relevant disclosures. It is responsible for monitoring financial reporting and external audit plans and outputs, as well as providing assurance to the Board in relation to financial, operational and compliance controls, all of which are designed to manage our exposure to risk.

Risk Management Framework



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

The Board has approved the delegated authority matrix and key policies, which ensure that responsibility for making key decisions such as asset acquisitions and disposals is clearly defined and understood. The authority matrix ensures that significant decisions are taken at the appropriate level, taking into account the size and complexity of the transaction, and its significance to our plans.

Risk appetite and awareness

Risk awareness exists through our decision-making processes and is embedded in our systems, policies, leadership, governance and behaviours. We have a primarily outsourced model, so we are reliant on service providers, particularly the Investment Adviser, to make decisions within agreed parameters the Board has approved.

The Investment Adviser has a clear understanding of our appetite for risk, which is determined by the Board and incorporated within the risk framework.

Risk appetite

Our risk appetite was reassessed during the year, as part of the annual review of the risk framework, and it remains unchanged. We have no appetite for risks relating to compliance with regulatory and environmental requirements, or the safety and welfare our occupiers, those working on our behalf, and the wider community in which we work.

Our appetite for risks relating to climate change is low, and we are, through the Sustainability Committee, working to identify and mitigate physical and transitional risks for the portfolio and the Group.

We will accept a reasonable level of risk in relation to business activities focused on enhancing revenues, portfolio values and increasing financial returns for investors.

We seek to balance our risk position between:

- a strong focus on compliance, with our expectations of service providers incorporated within contract documents, and monitored through performance reviews by the Management Engagement Committee;
- the acquisition and management of a balanced asset portfolio, being selective in our acquisition decisions, and following a clear investment appraisal process;
- a focus on mitigating climate-related risks and opportunities through our portfolio acquisition decisions, refurbishment and repurposing approach, and our work with and support to occupiers; and
- generating profit and funds through the effective asset management of our portfolio.

Environmental, Social and Governance ("ESG") risk

We consider the active management of ESG related risk to be a key element of our business operations. We have invested resource in understanding these risks, in particular climate-related risk, and how we can best mitigate these.

ESG and climate-related risks are included within the corporate risk register, and we have a separate climate-related risk register, covering both physical and transitional risks. This is reviewed by the Investment Adviser and reported to the Sustainability Committee. There is a biannual formal review of the risks in the climate related risk register, considering whether there are any risks rated high that should be escalated to the corporate risk register. For more details on these risks, see pages 46 to 53 in the TCFD section of this report.

Emerging risks

A key element of our approach to the management of risk is the regular identification and consideration of potential emerging risks for the Group. These emerging risk reviews are carried out regularly with the Investment Adviser, and it is part of the regular risk report to the Audit and Risk Committee.

During the year, the two main emerging risks related to electrical capacity and reinforced autoclaved aerated concrete ("RAAC"):

- electrical capacity relates to whether capacity available for our portfolio is sufficient for current and future needs. The Investment Adviser is leading investigations, including the introduction of detailed power analysis to better understand requirements, and the commissioning of external advice on potential options for increasing capacity if necessary; and
- RAAC relates to the use of a particular type of concrete in buildings in previous decades, which has now become a significant problem. We are aware of the issue and the Investment Adviser has reviewed our assets and concluded it does not apply to our portfolio. They will continue to monitor the issue and ensure it is part of any due diligence process for future acquisitions.

Neither risk is considered to currently be a principal risk for the business.

Principal risks

The Board confirms that it has performed a robust assessment of the Group's principal and emerging risks and considered both the short and longer-term impacts. The Investment Adviser and the Audit and Risk Committee regularly review the corporate risk register in detail.

The Board considers its overarching risk to be that investment objectives and performance become unattractive to investors, leading to a widening share price discount to net asset value, which hinders the ability to raise funds and grow.

The Board has identified its principal risks based on that, and those are summarised here, along with the current risk management strategy, the assessment of exposure to each risk, and any change in assessment since our last report.

Changes in risk, emerging risk

There are no additional principal risks, and we have not removed any risks previously considered to be principal. Where the evaluation of the risk has changed, an explanation has been provided in the detailed section below.

The heat map summarises the Group's current principal risk exposure

Business risks

1 Poor returns on the portfolio

2 Inability to identify or secure assets/sites for acquisition

3 Poor performance of the Investment Adviser or other significant third-party provider

4 Inappropriate acquisition, or breach of investment strategy

Financial risks

5 Interest rate changes

6 Inability to attract investment, either equity or debt funding

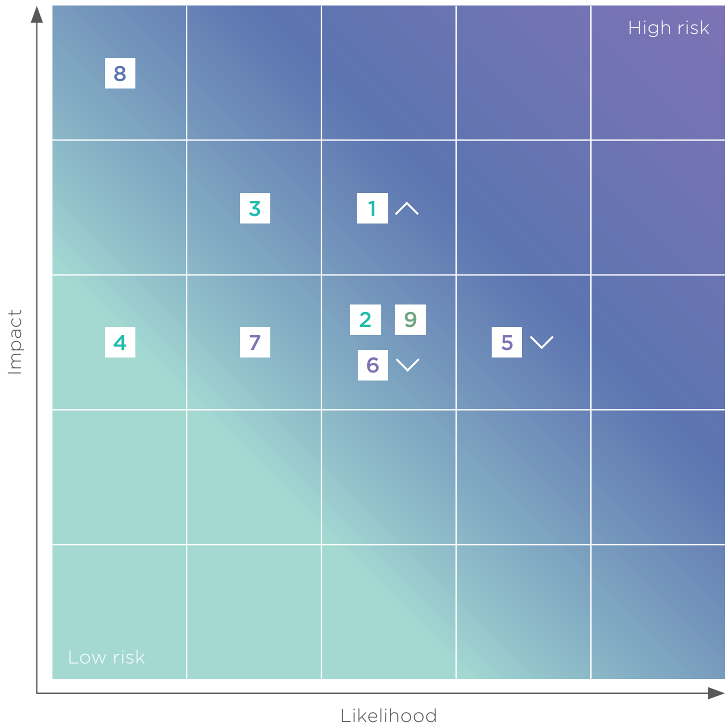
7 Breach of loan covenants, or prospectus borrowing policy

Compliance risks

8 Loss of REIT status

Climate-related risks

9 Impact of climate change



Key: Increase since previous year   Decrease since previous year

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Business risks

1 Poor returns on the portfolio

Change

Increase

Whilst we have no problems with our current portfolio of occupiers, general economic uncertainty, linked to high interest rates and inflation during 2023 has slowed the market for potential new occupiers. We have therefore considered it prudent to reflect a slightly higher exposure to this risk.

Risk

Achieving the targeted level of return on our property portfolio over time is fundamental to the success of the business. The risk of a reduced return on the portfolio could be caused by a number of factors, including:

- reduced property valuations;
- reduced rent levels;
- an inappropriate balance of property types within the portfolio;
- cost of capital increases, particularly as interest rates rise;
- higher than anticipated void rates, and bad debts; and
- increasing new tenancy costs (e.g. shorter leases or significant works to attract occupiers).

In addition, external macroeconomic challenges may reduce investment in the life sciences sector, subsequently reducing property values and rent incomes, and in the medium to longer term this could also impact on the number of potential occupiers looking for property.

Mitigation

Portfolio risk mitigation is based around:

- **Asset value** – a robust acquisition and investment process, including detailed financial modelling. Our investment protocol reflects our delegated authority matrix, ensuring that decisions are made at the right level, with particularly significant decisions referred to the Board.

  We aim to have a balance between sites developed with occupiers, and the development of sites, particularly with specialist facilities such as lab space, in advance. This enables us to meet specific occupier requirements, and also to attract potential occupiers who are looking for reduced fit-out cost and time, which helps to drive rents and reduces void lengths.
- **Occupier quality** – our occupier take on process ensures we understand occupier requirements and are confident that we can deliver the asset functionality and quality required. It also includes evaluation of the potential occupiers, to ensure that they have a business model and financial plans which cover property costs.
- **Property management** – the property managers (Savills) work closely with the Investment Adviser's asset management team, and together they provide regular performance reviews and report to the Board. Savills are responsible for rent collection performance and monitoring of arrears. Link as fund administrators ensure the Group correctly accounts for rent and arrears.

Link to strategy

Inherent to residual risk

Link to strategy key: Investment strategy | Asset management strategy | Financing strategy | Sustainability strategy

Business risks

2 Inability to identify or secure assets/sites for acquisition

Change	No change
Risk	There is a risk that we may lose investment opportunities and/or potential occupiers to competitors. This could be driven by aggressive competitors, the overall level of competition in the market, insufficient suitable available assets in the market, or acquisition prices that would make it difficult for us to generate sufficient returns.
Mitigation	There is limited space suitable for the life sciences market, and this is a focus area for growth and government initiatives, which gives us confidence that occupiers' need for appropriate space will continue. Our strategy includes acquiring existing facilities, sites planned for new development, and the repurposing of buildings which can be converted to meet the specialist requirements of the sector. Our Investment Adviser has an experienced management team and is supported by external property management specialists, who have extensive expertise in the life sciences market.
Link to strategy	Inherent to residual risk

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Business risks

3 Poor performance of the Investment Adviser or other significant third-party provider

Change

No change

Risk

We operate an outsourced model and depend on the performance of our third-party service providers, particularly the Investment Adviser, AIFM, Property Manager and Fund Administrator.

Poor service delivery from any of these key providers could result in poor decisions, reduced portfolio returns or regulatory compliance failures, and could have a financial impact on investors.

We rely on receiving high-quality and accurate information from our service providers, and inaccurate or incomplete information could damage our finances, properties, occupiers and reputation. In particular, inaccurate information could increase our revenue risk, as we depend on third parties to invoice, collect, bank and record revenues.

Mitigation

Our governance framework is designed to ensure that the Board is involved with decisions that are material to the success of the Group. There is an approved delegated authority matrix, including the matters reserved for the Board.

Our service providers are recognised experts in their fields, and we have contracts in place, with clear terms of service and our expectations clarified.

The principal third-party providers oversee and review our activities, with the AIFM reviewing and approving key transactions proposed by the Investment Adviser, and the Investment Adviser monitoring the performance of the property managers. Financial reports and information are prepared by Link and checked by the Investment Adviser's Finance team, prior to reporting to the Board.

Our Board members are experienced individuals, appointed for their knowledge and their business and commercial acumen. In addition to their performance reviews and variance analysis as part of the normal quarterly Board meetings, they formally review the performance of key third-party service providers through the Management Engagement Committee.

The valuation of the portfolio is a key risk area for the Group. The valuation is undertaken by an independent valuer, which provides additional assurance for the Board on the accuracy of key metrics reported by the Investment Adviser.

Link to strategy

Inherent to residual risk

Link to strategy key: Investment strategy · Asset management strategy · Financing strategy · Sustainability strategy

Business risks

4 Inappropriate acquisition, or breach of investment strategy

Change	═ No change
Risk	Acquiring assets or taking on occupiers which are not in line with our investment policy and objectives could have a detrimental effect on our portfolio values, finances or reputation, and could also increase risk for occupiers, particularly in multi-tenanted properties.
Mitigation	Our investment policy is supported by processes designed to ensure that acquisitions meet our requirements, and any capital expenditure will deliver enhanced returns. In particular we have a strong acquisition protocol which includes robust due diligence processes and assessment against clear investment criteria, including portfolio mix, property type and quality, legal issues, environmental requirements, sector and quality of occupier. Acquisition and investment approvals follow our delegated authority matrix, with particularly material decisions reserved for the Board. All acquisitions and disposals are also approved by the AIFM. The Investment Adviser and the Property Manager provide us with expert knowledge of the properties and geographical locations which are best suited to the life science market, ensuring that our property portfolio is best suited to the needs of our target occupiers. Our procedures also require a full assessment of potential occupiers, ensuring that they are linked to the life science sector and are of suitable financial stability and strength for the lease concerned.
Link to strategy	Inherent to residual risk

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Financial risks

5 Interest rate changes

Change

Decrease

The refinancing and SONIA hedging completed during the year has reduced our exposure in relation to interest rate risk.

Risk

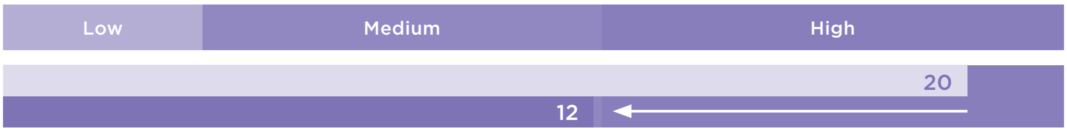
Interest rate rises present a number of different potential risks to the Group. They may impact on our ability to utilise funding to execute the strategy; may have an impact on the overall value of the portfolio, as the cost of lending impacts on asset valuations; potential occupiers may decide to delay expansion plans, and current occupiers may have reduced willingness or ability to pay rents.

Mitigation

The potential for interest rate rises is not a risk within our control, and we therefore focus on managing and mitigating the consequences. We have a financing strategy agreed with the Investment Adviser. During the year we have completed a refinancing to cover the next three years, with two plus one-year extension options. This provides sufficient headroom to complete current planned developments. We have also hedged the risk to rising SONIA rates by entering into a number of forward starting interest rate caps based on the budgeted draw down of debt to complete the planned development and capital expenditure projects. This targets 100% hedging at all times. We also manage our cash flows carefully, along with the timing of debt drawdowns for significant outlays.

Link to strategy

Inherent to residual risk



6 Unable to attract investment, equity or debt funding

Change

Decrease

The refinancing completed during the year demonstrates our ability to obtain financing at reasonable rates/terms.

Risk

There is a risk that we may be unable to raise funding, either through equity from new investors/increased investment from existing shareholders or via debt funding. This would affect our ability to grow and deliver on agreed strategic objectives.

Mitigation

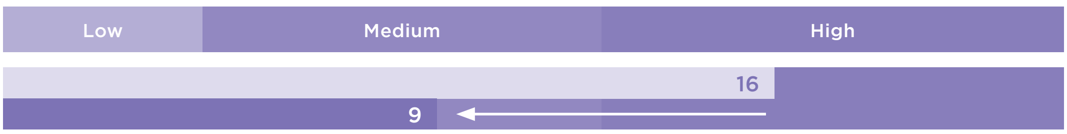
Our performance to date, creating a portfolio of quality, well-managed and suitable assets in the right locations, is key to the mitigation of this risk.

We have an experienced Investment Adviser, with a good reputation and excellent market knowledge. The Investment Adviser Finance Director maintains relationships with current and potential funding partners, and any significant funding agreements are reviewed and approved by the Board, in line with our delegated authority matrix.

Some of our Board members have extensive experience working within and for the life sciences sector, and have excellent reputations in the market, through their knowledge of the requirements and needs of potential occupiers.

Link to strategy

Inherent to residual risk



Link to strategy key: Investment strategy | Asset management strategy | Financing strategy | Sustainability strategy

Financial risks

7 Breach of loan covenants or borrowing policy

Change	No change
Risk	We set out our expected and maximum LTV ratios in the prospectus, and separately have a LTV ratio agreed within our financing facilities. Breach of any of these ratios, or the terms and conditions of the funding facility, could have a serious impact on the delivery of our objectives, through cash shortages or damage to our reputation.
Mitigation	The Investment Adviser is responsible for monitoring operations, financial transactions and performance, and reviews the financial position continuously to ensure that neither the LTV ratio nor any specific requirements of our financing facility are breached. The Investment Adviser applies comprehensive financial models to plan cash flows and funding requirements. Cash availability is built into the investment decision-making process. All acquisitions are approved by the AIFM and the Depositary, and significant acquisitions and capital expenditure plans are approved by the Board. The cash position is reconciled monthly to the records produced by Link and the bank statements, by the Investment Adviser's Finance team.

Link to strategy

Inherent to residual risk

Compliance risks

8 Loss of REIT status

Change	No change
Risk	Failing to comply with the REIT framework could put our status as a REIT at risk, resulting in a potentially significant impact on our shareholders.
Mitigation	We have a documented governance framework, with clearly allocated responsibilities set out in the matters reserved for the Board, the delegated authority matrix, and in our contracts with the Investment Adviser and other key service providers. We obtain advice as needed from the AIFM, our brokers and external legal support in relation to governance compliance, FCA and listing rules. Our position against the key requirements of the REIT legislation is reviewed by the Investment Adviser each month, by Link quarterly, and is reported to the Board. Cash and earnings cover for dividends is monitored through the comprehensive cash flow forecasting process.

Link to strategy

Inherent to residual risk

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Climate-related risks

9 Impact of climate change

Change	No change
Risk	The potential impact of climate change is one of our principal risks, and we are investing time and resource to better understand and reduce our impact on the environment, and to ensure the Group is well placed to mitigate the inevitable impacts on our activities, portfolio and finances. We have developed a separate climate risk register, to help us identify, consider and mitigate both physical and transitional risks in more detail. Key risks documented in that register include: • change in occupiers' requirements, as they seek more sustainable property options; and • the complexities and cost of compliance with relevant legislation and reporting requirements, and the impact of changes to business practices going forward.
Mitigation	The global impact of climate change is already noticeable, and we recognise our responsibility to develop a portfolio and business/operational practices which reduce our environmental impact, while enabling us to deliver results for our investors. Further details are included in the Sustainability reporting (see pages 38 to 59), but a summary of the actions we have taken and planned are: • new developments to be BREEAM 'Excellent' or 'Very Good' rated; • environmental assessment of all potential acquisitions, as part of the acquisition process; • EPC+ reports are part of our standard process for acquisitions; • capital expenditure planning includes consideration of climate-related risk, with appropriate building standards being applied, such as energy efficient lighting and heating, and a reduction in greenhouse gas emissions; • external specialists have been appointed to assist us with developing our sustainability roadmap and pathway to net zero; • a Sustainability Committee was established in the year, meeting twice to discuss the strategy and policies in addition to the above; and • our standard quarterly Board report pack includes ESG and climate-related risk information, to ensure that Board members are fully informed.

Link to strategy

Inherent to residual risk

Link to strategy key: Investment strategy | Asset management strategy | Financing strategy | Sustainability strategy

GOING CONCERN AND VIABILITY STATEMENT

Going concern

The Board monitors the Group's ability to continue as a going concern. Specifically, at quarterly Board meetings, the Board reviews summaries of the Group's liquidity position and compliance with loan covenants, as well as forecast financial performance and cash flows. Throughout the period, the Board met frequently, in conjunction with the Investment Adviser, to review cash resources and acquisitions of investment properties.

The Group ended the year with £14.3 million of unrestricted cash and £41.3 million of headroom readily available under its debt facilities. The Group is operating significantly within its covenants and a sensitivity analysis has been performed to identify the decrease in valuations and rental income that would result in a breach of the LTV, or interest cover covenants. For the HSBC and Bank of Ireland facility, valuations would need to fall by 34.2% or rents by 13.7%, when compared with 31 December 2023, before these covenants would be breached, which, based on available market data, is considered highly unlikely.

As at 25 March 2024, 100.0% of rents invoiced in December 2023 in relation to the quarter to 24 March 2024 were received.

As part of the going concern assessment, and taking the above into consideration, the Directors reviewed a number of scenarios which included extreme downside sensitivities in relation to rental cash collection, making no acquisitions or discretionary capital expenditure, and minimum dividend distributions under the REIT rules.

Based on this information, and in light of mitigating actions available, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in business for a period of at least 12 months from the date of approval of the Annual Report and Financial Statements. The Directors are also not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. They therefore have adopted the going concern basis in the preparation of the Annual Report and Financial Statements.

Assessment of viability

In accordance with the AIC Code of Corporate Governance, the Directors have assessed the Group's prospects over a period greater than the 12 months considered by the going concern provision. The Directors have conducted their assessment over a three-year period to 31 December 2026, allowing a reasonable level of accuracy given typical lease terms and the cyclical nature of the UK property market.

The principal risks detailed on pages 63 to 72 summarise the matters that could prevent the Group from delivering its strategy. The Board seeks to ensure that risks are kept to a minimum at all times and, where appropriate, the potential impact of such risks is modelled within its viability assessment. The Group's investment portfolio acquired to date delivers the intended investment strategy of a diversified portfolio located within the Golden Triangle of Oxford, Cambridge and London located near major universities, hospitals and public and commercial organisations, where there is a shortage of high-quality real estate space to support expanding life science businesses. This is expected to lead to low vacancy rates and further rental and capital growth.

The Directors' assessment takes into account forecast cash flows, debt availability, forecast covenant compliance, dividend cover and REIT compliance. The model is then stress tested for severe but plausible scenarios, individually and in aggregate, along with consideration of potential mitigating factors. The key sensitivities applied to the model are a downturn in economic outlook and restricted availability of finance, specifically:

- increased occupier turnover;
- increased void costs; and
- increased interest rates.

Taking into account mitigating actions, the results of the sensitivity analysis and stress testing demonstrated that the Group would have sufficient liquidity to meet its ongoing liabilities as they fall due, maintain compliance with banking covenants and maintain compliance with the REIT regime over the period of the assessment.

GOING CONCERN AND VIABILITY STATEMENT

CONTINUED

Furthermore, the Board, in conjunction with the Audit and Risk Committee, carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, strategy, future performance, solvency or liquidity over the three-year period. The risk review process provided the Board with assurance that the mitigations and management systems are operating as intended. The Board believes that the Group is well positioned to manage its principal risks and uncertainties and the economic and political environment.

The Board's expectation is further supported by regular briefings provided by the Investment Adviser. These briefings consider market conditions, opportunities, changes in the regulatory landscape and the current economic and political risks and uncertainties. These risks, and other potential risks which may arise, continue to be closely monitored by the Board.

Viability statement

The period over which the Directors consider it is feasible and appropriate to report on the Group's viability is a three-year period to December 2026. This period has been selected because it is the period that is used for the Group's medium-term business plan. Underpinning the plan is an assessment of each unit, driving the letting and capital expenditure assumptions. These in turn drive the financing assumptions and other forecast cash flows.

Having considered the forecast cash flows, covenant compliance and the impact of sensitivities in combination, the Directors confirm that, taking account of the Group's current position and the principal risks set out in the strategic report, they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

On behalf of the Board

Claire Boyle
Chair

25 March 2024

Cambourne Park, Science & Technology Campus, Cambridge

CHAIR'S INTRODUCTION TO GOVERNANCE

> We continued to build our Governance framework during 2023, ensuring robust policies and procedures are in place, contributing to the long-term success of the Company.
>
> **Claire Boyle**
> Chair and
> Non-Executive Director

On behalf of the Board, I am pleased to present the report setting out the Company's corporate governance arrangements, which demonstrates the importance of governance to the Directors and how it contributes to the Company's long-term success. A key part of the Company's corporate governance arrangements is that Board decision making takes into consideration the impact on the Company's stakeholders and performance over the longer term. This is supported by having a clear strategy, investment policy and schedule of matters reserved for the Board (see section 172 (1) statement on page 62).

As a Company with a premium listing, Life Science REIT plc is required to comply with the UK Code of Corporate Governance (the "UK Code") issued by the Financial Reporting Council. However, as an externally managed investment company it is recognised that some of the provisions of the UK Code are not relevant, and the Board therefore considers reporting against the principles and provisions of the Association of Investment Companies Code of Corporate Governance ("AIC Code") provides more relevant information to shareholders. The AIC Code is aligned with the UK Code, as well as setting out additional provisions on issues that are of specific relevance to listed investment companies (see page 78).

The Board continued to make good progress with its governance agenda during 2023, with highlights including regular Committee meetings, approving Board and Company policies, review of the skills and diversity of the Board, approving the sustainability strategy, holding a separate strategy day, and continued review of the life science and real estate sectors.

The Board welcomes the revised UK Code published in January 2024 ("2024 Code") which in particular addresses the importance of evidencing the effectiveness of internal controls. The 2024 Code applies to accounting periods beginning on or after 1 January 2025 with the exception of provision 29 (internal controls) which will apply for reporting periods on or after 1 January 2026. The Board understands that the AIC Code is expected to be amended to reflect the relevant changes of the 2024 Code and looks forward to reporting against the updated AIC Code in subsequent Annual Reports. The Board's priorities in 2024 include supporting and overseeing the Investment Adviser in the continued successful implementation of the strategy with the aid of the strategy day held in February 2024. We will continue to embed and evolve the Group's corporate governance framework in line with any legislative and statutory changes.

Claire Boyle
Chair

25 March 2024

BOARD OF DIRECTORS

The Board consists solely of independent Non-Executive Directors. During the year under review, there were no changes to the Directors.

Claire Boyle
Chair of the Board of Directors

Appointed: 14 October 2021
Last re-elected: 2023
Remuneration: £55,000
Shareholding: 30,000

External appointments
Claire is a non-executive director and chair of the audit committee of Fidelity Special Values plc and a non-executive director of The Monks Investment Trust and Nippon Active Value Fund plc.

Experience and contribution
Claire has over 20 years' experience working in financial services and investment management; qualifying as a chartered accountant with Coopers and Lybrand, where she specialised in litigation support and forensic accounting. Claire then spent 13 years working in equity investment management for Robert Fleming Investment Management, American Express Asset Management and latterly Oxburgh Partners, where she was a partner with responsibility for their European Hedge Fund. Claire has a degree in Natural Sciences from Durham University and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Richard Howell
Senior Independent Director; Chair of the Audit and Risk Committee

Appointed: 3 May 2022
Last re-elected: 2023
Remuneration: £45,000
Shareholding: 30,000

External appointments
Richard is the Chief Financial Officer ("CFO") of Primary Health Properties plc.

Experience and contribution
Richard is CFO of Primary Health Properties plc, the FTSE 250 REIT and leading investor in flexible, modern primary healthcare accommodation across the UK and Ireland.

Richard is a Chartered Accountant and has over 20 years' experience working with London-listed commercial property companies, gained principally with LondonMetric Property plc and Brixton plc. Richard was part of the senior management team that led the merger of Metric Property Investments plc and London & Stamford Property Plc in 2013 to create LondonMetric Property plc with a combined property portfolio of £1.4 billion.

Michael Taylor
Non-Executive Director; Chair of the Management Engagement and Remuneration Committees

Appointed: 14 October 2021
Last re-elected: 2023
Remuneration: £40,000
Shareholding: 20,000

External appointments
Mike is a Director for the British Heart Foundation shops Ltd and the British Heart Foundation Ventures Ltd.

Experience and contribution
Mike is the Commercial Director for the British Heart Foundation ("BHF") which is the largest funder of life science research into heart and cardio-vascular disease in the UK. Since joining the BHF in 2012 he has overseen significant growth and diversification of their commercial revenues across the extensive retail estate of over 700 retail shops, new online channels and commercial health ventures.

Prior to joining BHF he spent over 20 years working in senior roles in a wide range of major retailers with significant retail, logistic and office property portfolios, and has been managing director of a number of national retailers including Budgens, Londis and Whittard. Mike has a degree in Economics from the University of East Anglia.

Dr Sally Ann Forsyth OBE
Non-Executive Director; Chair of the Nomination and Sustainability Committees

Appointed: 14 October 2021
Last re-elected: 2023
Remuneration: £40,000
Shareholding: 20,342

External appointments

Sally Ann is the Chief Executive Officer ("CEO") at Stevenage Bioscience Catalyst Ltd and a Director of Local Enterprise Partnership Hertfordshire.

Experience and contribution

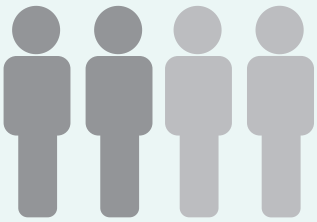
Sally Ann is CEO of the Stevenage Bioscience Catalyst and is a pioneer of the life science real estate industry with 16 years of experience in the delivery of outstanding science parks. She has been responsible for the strategy, growth and development of four internationally recognised clusters including Harwell Oxford, Colworth Science Park, Norwich Research Park and most recently Stevenage Bioscience Catalyst, where she is CEO.

She began her career with Unilever and gained her property experience through Goodman International where she was Director of Science Parks.

She was awarded an OBE for services to Business and Science in 2021.

Key Board statistics

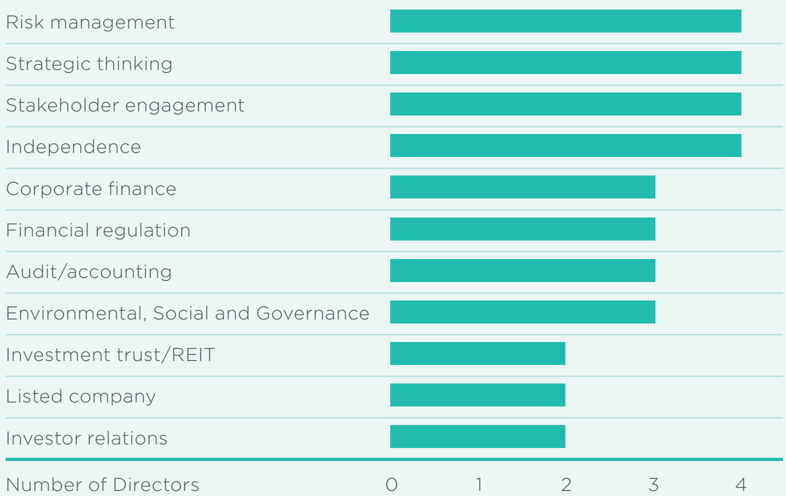
Balance of Directors: (as at the date of this report)



Female
50%

Male
50%

Skills and experience:



Committee key:

- Nomination Committee
- Audit and Risk Committee
- Management Engagement Committee
- Sustainability Committee
- Remuneration Committee

Read the full Board of Director bios online at:
https://lifesciencereit.co.uk/about-us/board-of-directors/

CORPORATE GOVERNANCE STATEMENT

This report explains the key features of the Group's governance structure.

Statement of compliance

The Board has considered the principles and provisions of the AIC Code of Corporate Governance published by the Association of Investment Companies (the "AIC Code"). The AIC Code addresses the provisions set out in the UK Corporate Governance Code as published by the Financial Reporting Council (the "UK Corporate Governance Code"), as well as setting out additional provisions on issues that are of specific relevance to listed investment companies. The Board considers that reporting against the principles and recommendations of the AIC Code will provide more relevant information to its shareholders.

Throughout the year ended 31 December 2023, the Company has complied with the principles and provisions of the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. As an externally managed investment company with no executive directors, employees or internal operations, all of the Group's ongoing management and administration functions are delegated to the Investment Adviser and other service providers, and as such the Board does not consider that the above provisions are relevant. We have therefore not reported further on these provisions.

In accordance with the AIC Code, the Board established an Audit and Risk Committee and a Management Engagement Committee on incorporation. Following the migration of the Company's ordinary shares to the premium segment of the London Stock Exchange in December 2022 the Board agreed to establish separate Nomination and Remuneration Committees under the chairship of Sally Ann Forsyth and Michael Taylor respectively.

The Board undertakes an annual review of its compliance with the principles and recommendations of the AIC Code. A copy of the AIC Code, which was last updated in 2019, can be obtained via the AIC website, **https://www.theaic.co.uk/**. The below table details a summary of the AIC Code Principles and where they are reviewed in this Corporate Governance Statement.

AIC Code Principle	Page
1: Board leadership and purpose	**A:** 79 **B:** 79 **C:** 80 **D:** 81
2: Division of responsibilities	**F:** 82 **G:** 82 **H:** 83 **I:** 84
3: Composition, succession and evaluation	**J:** 85 **K:** 85 **L:** 85
4: Audit, risk and internal control	**M:** 86 **N:** 86 **O:** 86
5: Remuneration	**P:** 87 **Q:** 87 **R:** 87

Section 1: Board leadership and purpose

Effectiveness of Board

A key focus for the Board has been the delivery of the Group's strategy whilst continuing to seek opportunities for growth in order to provide shareholders with an attractive level of return. The Board ensures that the necessary resources are in place for the Group to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls. The Directors are responsible for the determination of the Company's investment policy and strategy and have the overall responsibility for the Group's activities, including the control and supervision of the AIFM and Investment Adviser.

The Chair leads the Board and is responsible for its overall effectiveness in directing the Group in delivering on its strategy. By demonstrating objective judgement, the Chair promotes a culture of openness and debate, and facilitates effective contributions from all Directors. In liaison with the Company Secretary, the Chair ensures that the Directors receive accurate, timely and clear information. The Directors are required to act with integrity, lead by example and promote this culture within the Group.

Purpose, values and strategy

The Group's purpose is to own and manage life sciences real estate across the UK, providing the space its occupiers need for their businesses to thrive. Further information about the purpose and strategy of the Group can be found in the strategic report at page 16. The Board regularly reviews the strategy of the Company through reporting from relevant advisers at Board and Committee meetings and engagement with stakeholders to ensure it remains appropriate and in the best interests of the shareholders. The Board seeks to ensure the alignment of the Group's purpose, values and strategy with the culture of openness, debate and integrity through ongoing dialogue and engagement with the AIFM, Investment Adviser and the Group's other service providers.

The culture of the Board will be considered as part of the annual performance evaluation process which is undertaken by each Director. The culture of the Group's service providers is also considered by the Board during the annual review of their performance and while considering their continuing appointment. This includes assessing their approach to significant ethical issues such as modern slavery. The Company's Modern Slavery Statement, reviewed by the Board each year, is available at **www.lifesciencereit.co.uk**.

As noted above, the approval of the strategy and overseeing its implementation is one of the Board's core responsibilities. The table on the next page details the Board's activities in respect of each element of the Group's strategy (see pages 16 to 17).

CORPORATE GOVERNANCE STATEMENT CONTINUED

Section 1: Board leadership and purpose continued

Strategy	Board governance role	Board key activities during the year
1. Investment strategy	• Overseeing the selection of acquisitions, against the backdrop of current market and economic conditions • Approving acquisitions which are within the investment policy but have a value of 20% or more of the Group's GAV • Approving any acquisitions outside the investment policy	• Reviewed acquisition pipeline tracker at each quarterly meeting
2. Asset management strategy	• Overseeing the portfolio • Overseeing the Investment Adviser's asset management activities	• Reviewed quarterly portfolio updates from the Investment Adviser, including lease events, capital expenditure works and development updates • Approved the annual budget for the year ended 31 December 2024 • Read more about asset management during the year in the Investment Adviser's report on page 32
3. Financing strategy	• Approving any changes to the Group's capital structure • Approving the Group's gearing policy, dividend policy and treasury policy • Approving disposals of 20% or more of the GAV of the Group's portfolio • Approving any disposals outside the investment policy	• Approved the refinancing of its existing external debt facility with HSBC and the Bank of Ireland as an additional lender in H1 2023 • Monitored the Group's debt levels and interest rate hedging. Read more about financing activity during the year in the Investment Adviser's report on page 35
4. Sustainability strategy	• Approving the sustainability policy and strategy • Monitoring progress in delivering the sustainability strategy	• Approved the sustainability strategy and policy including the proposed timeframe for achieving a transition to net zero carbon emissions

Conflicts of interest

The Articles of Association permit the Board to consider and, if it deems fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the Group's interests. The Board has a formal system to consider such conflicts, with the Directors who have no interest in the matter deciding whether to authorise the conflict and any conditions to attach to such authorisation. Any such conflicted Director would not be present during Board discussions regarding the conflicting matter to ensure that the debate remains unbiased and objective. A register of potential conflicts of interests is maintained by the Company Secretary and presented to the meeting for information at each Board meeting. As at 25 March 2024, being the latest practicable date of this report, no such conflicts were identified.

Performance review

The Board and the Management Engagement Committee regularly review the performance of the Company and the performance and resources of the Investment Adviser and other service providers to ensure that the Company can continue to meet its investment objective. The Audit and Risk Committee is responsible for assessing and managing risks and the Company has engaged a third-party internal audit function. Further information about how this is done can be found in the Audit and Risk Committee Report on pages 91 to 94.

Shareholders and stakeholders

Communication with shareholders is a high priority for both the Board and the Investment Adviser, and the Directors are available to discuss the Group's progress and performance with shareholders. The Investment Adviser, in conjunction with its joint Corporate Brokers, Panmure Gordon and Jeffries International, are in regular contact with the major institutional investors and regularly report the results of meetings and the views of those shareholders to the Board. The Chair and the other Directors are available to attend these meetings with shareholders if required.

All shareholders are encouraged to attend and vote at the AGM, during which the Chair of the Board, the Chair of each respective Committee, the Board as a whole and representatives of the Investment Adviser will be available to discuss issues affecting the Group and answer any questions.

Shareholders wishing to communicate directly with the Board or to lodge a question in advance of the AGM should contact the Company Secretary at the address on the inner back cover. The Company makes sure to always respond to correspondence from its shareholders.

For more information on the Group's approach to stakeholder engagement please see pages 60 to 61 of the strategic report.

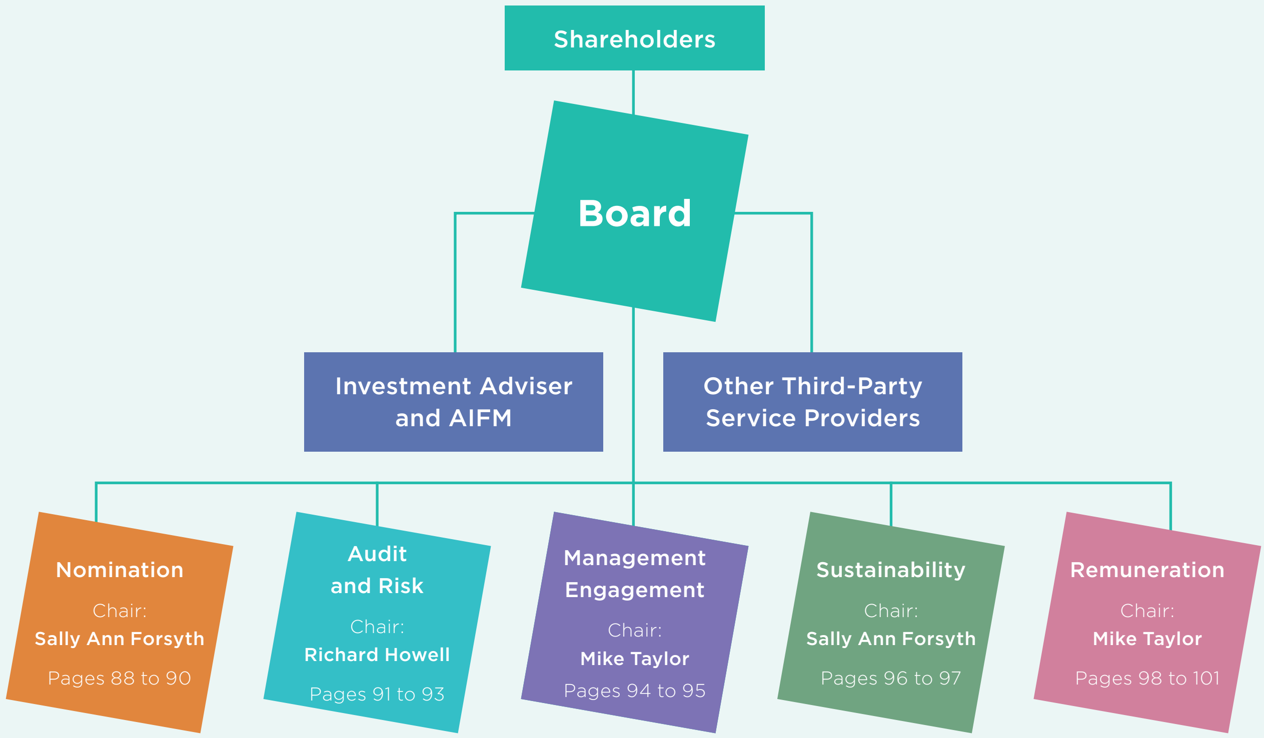
The Board and its advisers will prepare the Group's Annual and Half-yearly Reports to present a full and readily understandable review of the Group's performance. Copies will be released through a Regulatory News Service, dispatched to shareholders depending on their communication preference and made available from the Company Secretary or by downloading from the Company's website at **www.lifesciencereit.co.uk**.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Section 2: Division of responsibilities

Governance structure

As an externally managed investment trust, the Company has no employees, and the Board relies on third parties to administer the Company and provide investment management services. The below diagram demonstrates the Company's governance structure and how responsibilities are divided.



The Committees' terms of reference are available on the Company's website at **www.lifesciencereit.co.uk**.
Members: all Non-Executive Directors

Board composition

The Chair, Claire Boyle, and the Senior Independent Director, Richard Howell, were deemed by their fellow independent Board members to have been independent on appointment and to have no conflicting relationships.

The role and responsibilities of the Chair are outlined on page 79 and are clearly defined and set out in writing, a copy of which is available on the Group's website at **www.lifesciencereit.co.uk**. The Senior Independent Director acts as a sounding board for the Chair and as an intermediary for other Directors when necessary. He leads the annual appraisal of the Chair's performance, takes responsibility for an orderly succession process and is also available to shareholders to discuss any concerns they may have.

All of the Directors are non-executive and are independent of the Investment Adviser and the other service providers. The Chair was independent of the Investment Adviser at the time of her appointment and remains so. The Nomination Committee met twice during the year and considered the composition and mix of skills of the Board. The Board evaluation concluded that each Director provides a valuable contribution to Board meeting discussions and exercises appropriate levels of challenge and debate.

As part of the Board evaluation process, the contributions of each Director, as well as the time commitments made by each Board member are considered and reviewed. Directors' other commitments are regularly reviewed and any new appointments are considered by the other Directors to ensure there is no conflict of interest or risk of 'over boarding'.

Board operation

The Directors meet at regular Board meetings including one strategy day, held at least four times a year, with additional meetings arranged as necessary. The Directors are given a week to review papers before each Board and Committee meeting. Board members are notified between meetings of any material events including, but not limited to, significant transactions, litigation, mergers and acquisitions, and changes in capital structure.

There is regular contact between Board members and the Investment Adviser, in addition to the formal Board meetings.

The table below sets out the Directors' attendance at both regular and ad hoc Board and Committee meetings during the year ended 31 December 2023, against the number of meetings each Board member was eligible to attend:

	Board	Audit and Risk Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Claire Boyle	4/4	3/3	1/1	2/2	1/1	2/2
Sally Ann Forsyth	4/4	3/3	1/1	2/2	1/1	2/2
Michael Taylor	4/4	3/3	1/1	2/2	1/1	2/2
Richard Howell	4/4	3/3	1/1	2/2	1/1	2/2

The Board has formal arrangements for the Directors, in the furtherance of their duties, to take independent professional advice at the Company's expense. The Company has also taken out a Directors' and Officers' liability insurance policy which is referred to on page 104.

Key Board activities during the year

At each quarterly Board meeting a report from both the AIFM and the Investment Adviser is reviewed. The AIFM report includes updates on regulation, portfolio management and risk management, fund reporting and general compliance. The AIFM provides a separate quarterly Money Laundering and Reporting Officer report.

The Investment Adviser's report includes details of portfolio activity, the pipeline, occupiers, strategic activity and health and safety matters. Updates from finance, investor relations, and Square Gain, the ESG Consultant to Life Science REIT, are also provided.

The Board receives and reviews a quarterly share register analysis, as well as a report from the Company Secretary including regulatory and governance updates.

Q1 2023

- Strategy Day
- Updates from Management Engagement Committee and Audit and Risk Committee Chairs
- Approval of Annual Report and Financial Statements for the year ended 31 December 2023
- Approval of second interim dividend
- Approval of publication of supplementary prospectus

Q2 2023

- Update from the Sustainability Committee Chair
- Approval of the sustainability policy and Sustainability Committee terms of reference
- Update from the Depository
- Annual General Meeting

Q3 2023

- Approval of 2023 Interim Report
- Approval of interim 2023 dividend
- Approval of Directors' and Officers' liability insurance
- Update from the Nomination Committee Chair
- Approval of Board Diversity Policy

Q4 2023

- Financial year 2024 budget approval
- Sale of Lumen House
- Updates from the Audit and Risk Committee, Nomination Committee, Remuneration Committee and Sustainability Committee
- Update from the Depository
- Approval of the Anti-Money Laundering, Anti-Bribery and Corruption and Whistleblowing policies

CORPORATE GOVERNANCE STATEMENT CONTINUED

Section 2: Division of responsibilities continued

Board responsibilities and relationship with the Investment Adviser

The Board's main roles are to lead the Group and ensure its long-term sustainable success, generating value for shareholders and contributing to wider society, and to approve the Group's purpose, values and strategic objectives and satisfy itself that these and its culture are aligned.

The Board annually maintains and reviews its schedule of matters reserved for the Board of Directors which details its specific responsibilities. Its responsibilities include:

- approving the Group's investment and business strategy;
- approving the gearing policy;
- overseeing cash management;
- approving the Annual and Half-yearly Reports and Financial Statements and accounting policies, prospectuses, circulars and other shareholder communications;
- approving acquisitions and disposals which are within the investment policy but have a value of 20% or more of the GAV of the Group's portfolio, and any acquisitions or disposals outside the investment policy;
- raising new capital and approving major financing facilities;
- approving the valuation of the Group's portfolio;
- approving and recommending dividends;
- approving Board appointments and removals;
- appointing or removing the Group's external Auditor following the recommendation of the Audit and Risk Committee;
- appointing or removing the AIFM, Investment Adviser, Depositary, Auditor, Company Secretary and other service providers following the recommendation of the Management Engagement Committee; and
- ensuring a satisfactory dialogue with shareholders and other key stakeholders.

A copy of the schedule of matters reserved for the Board of Directors is available on the Company's website at **www.lifesciencereit.co.uk**.

The Board has delegated its day-to-day functions to a number of service providers, each engaged under separate legal agreements. In particular, portfolio management and risk management of the Group's assets has been delegated to the AIFM. The Management Engagement Committee reviews the performance and cost of the Company's third-party service providers on an annual basis. More information regarding the work of the Management Engagement Committee can be found on pages 94 to 95.

The Investment Adviser provides recommendations to the AIFM's investment committee. These recommendations cover acquisitions and sales of Group assets (where this would be in line with the Group's objectives and investment policy), and recommendations on where the Group should incur borrowings and give guarantees and securities (subject to certain investment restrictions imposed by the Board and the Board's overall control and supervision). The Board, the AIFM and the Investment Adviser operate a fully supportive, co-operative and open environment.

At each Board meeting, the Directors follow a formal agenda, which is circulated in advance by the Company Secretary following its approval by the Chair. The Company Secretary and Investment Adviser regularly provide financial information, together with briefing notes and papers in relation to changes in the Group's economic and financial environment, statutory and regulatory changes and corporate governance best practice to the Board. Representatives from the Investment Adviser and the AIFM attend each Board meeting and communicate with the Board between formal meetings.

Election/re-election of Directors

Under the Company's Articles of Association, Directors are required to stand for election at the first AGM after their appointment and each AGM thereafter for re-election. As stated above and in accordance with the AIC Code therefore, each Director will stand for re-election at the forthcoming AGM. The Board considers that both during the year ended 31 December 2023 and from the end of the period to 25 March 2024, being the latest practicable date of this report, each Director has performed effectively and demonstrated excellent commitment to their role at this early and important stage of the Company's development. It therefore believes that it is in the best interests of shareholders that each Director is elected at the AGM.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Link Company Matters Limited, which is responsible for ensuring that the Board and Committee procedures are followed and that applicable rules regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and for ensuring that the Company meets its statutory obligations.

Section 3: Composition, succession and evaluation

Board appointments

The Board has established a Nomination Committee, comprising all the independent Directors. This Committee will lead the appointment process of new Directors as and when vacancies arise and as part of the Directors' ongoing succession plans. See pages 88 to 90 for more information regarding the work of the Nomination Committee.

The Board has adopted a diversity policy, which acknowledges the benefits of greater diversity and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board.

None of the Directors has a service contract. Letters of appointment set out the terms of their appointment and copies are available on request from the Company Secretary at **LABS_CoSec@Linkgroup.co.uk** and will be available at the AGM. The Directors are not entitled to any compensation for loss of office.

Board skills, experience and knowledge

The Directors' biographical details are set out on pages 76 to 77 of this Report. These demonstrate the wide range of skills and experience that they bring to the Board. The Nomination Committee is responsible for identifying and recommending to the Board the appointment of new Directors and considering long-term succession plans.

Board skills matrix

For more details of the Board's composition and skills, please see page 77.

Annual evaluation of the Board

The Directors consider the evaluation of the Board, its committees, the Chair and themselves to be an integral part of the Company's governance framework and evaluations are undertaken annually.

For the year under review this was carried out by way of a questionnaire. The Chair of the Nomination Committee led the assessment, which covered the functioning of the Board as a whole, the effectiveness of each the Board Committees and the independence and contribution made by each Director and the Chair. The Nomination Committee reported the results from the evaluations to the Board. Following this review, the Board is satisfied that the structure, mix of skills and operation of the Board is effective and relevant for the Company. Further detail on the outcomes of the Board and Board Committees evaluation can be found in the Nomination Committee report on pages 88 to 90.

The individual performance of each Director standing for election has been evaluated and it is recommended that shareholders vote in favour of their election at the AGM. Directors are subject to annual re-election by shareholders and accordingly, all Directors will submit themselves for re-election by shareholders at the forthcoming Annual General Meeting. More information regarding the proposed election of each Director can be found on page 84.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Section 4: Audit, risk and internal control

External audit

The Group is subject to an annual audit of its consolidated financial statements and its component entities by its external Auditor, Deloitte LLP. The Group produces its consolidated financial statements in accordance with IFRS.

The Audit and Risk Committee supports the Board by reviewing the performance of the external Auditor, audit quality and the Auditor's objectivity and independence. In addition, the Audit and Risk Committee reviews the integrity and content of these financial statements, the half year financial statements and the ongoing viability of the Company.

Fair, balanced and understandable assessment

The Audit and Risk Committee has considered the 2023 Annual Report and Accounts as a whole and believes that the document presents a fair, balanced and understandable assessment of the Company's position and prospects.

In particular, the Committee has considered the language used in the document to ensure technical terminology is avoided to the extent possible, or where used it is suitably explained. For further details, see pages 91 to 93.

Risk management

The Group has a Risk Management Framework, which is approved by the Board and subject to annual review (as a minimum) by the Audit and Risk Committee. A detailed risk register has been compiled, identifying key risks and mitigations, and evaluating the exposure for each risk, using a standardised evaluation matrix. The Investment Adviser regularly reviews the risk register, and it is provided to the Audit and Risk Committee for discussion at each meeting. The framework is included on page 63 of the strategic report.

Principal and emerging risks

The principal and emerging risks that the Board has identified are set out on pages 63 to 72.

Internal controls

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness.

Internal control systems are designed to manage, but not to eliminate, the risk of failure of the Group to meet its business objectives, and as such, only provide reasonable but not absolute assurance against material misstatement or loss.

The key components designed to provide effective internal control are outlined below:

- the Group has a clearly defined organisational structure;
- the Group has policies and procedures for internal controls of key matters including a Whistleblowing policy and Anti-Bribery and Corruption policy which were approved by the Board in December 2023;
- an annual budgeting process is in place;
- detailed quarterly reporting occurs;
- at least annually the Board conducts a review of the effectiveness of the Group's internal controls, covering all material controls;
- the Directors actively respond to any external audit recommendations on internal control deficiencies and demonstrate how they are actioned. A follow-up process is in place for actions arising from audits and the risk management process, which ensures that actions are implemented effectively;
- a delegated authority matrix has been developed to cover key commercial and financial activities, investment and disposal transactions, and management of disputes or legal challenges; and
- the Directors have documented key controls which mitigate risk of inaccurate reporting.

The Audit and Risk Committee undertakes the annual review of the effectiveness of internal controls and reports the results of this to the Board for consideration. The Audit and Risk Committee also receives reports from the Investment Adviser, AIFM and the external Auditor concerning the system of internal control and any material control weaknesses. It may also seek external reviews and advice. Any significant issues identified are to be referred to the Board for consideration. Where any material control deficiencies are identified, remedial actions are agreed and implemented, and the Board updated on its progress.

Segregation of duties and authorisation limits

As occurs with other organisations of its size and which have a similar business, the Group faces challenges in implementing segregation of duties. The Group operates an outsourced model of suppliers and has no direct employees.

The Group has considered the risk around segregation of duties within the processing of payments and transactions and has identified and put in place a delegated authority matrix for acquisitions, disposals, property and occupier related activities and capital expenditure.

In addition, the following authorisation controls are in place for the processing of payments:

- the payments themselves are made by the Administrator of the Group, based upon the approvals received from the Investment Adviser, with a primary authorised signatory and secondary authorised signatories;
- each payment or transaction is signed off by one signatory, up to a total of £100,000. Payments or transactions above this figure require authorisation by two signatories and to be in line with the Group's delegated authority matrix and acquisition/disposal protocols (as applicable) as approved by the Board; and
- the Administrator has a clearly defined set of processes in place to manage payment risks. It produces an ISAE 3402 controls report to the Investment Adviser, providing assurance over the adequacy and operation of key controls.

Internal audit

The Group is not considered sufficient in size or complexity to warrant the establishment of an internal audit function. The Audit and Risk Committee reviews the requirement for an internal audit function at least annually. If that threshold has been attained, the Audit and Risk Committee will approach the Board of Directors to request approval for the establishment or outsource of an internal audit function.

Equally, if the Group's Investment Adviser or AIFM determines that it is appropriate to establish an internal audit function, they will approach the Board of Directors for approval to establish, or outsource, an internal audit function.

To gain assurance over the control environment of the Group without an internal audit function, the Group has regular informal contact with the Investment Adviser, in conjunction with a third-party risk and internal audit adviser, will review Board papers which are received in a timely manner, seek information from the external Auditor, review the risk register and progress with any actions arising.

The Audit and Risk Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon.

The Audit and Risk Committee regularly reviews the Company's internal controls through regular reporting including reviewing the Group's risk register, risk appetite statement and internal audits undertaken during the quarter.

Further information regarding the work of the Audit and Risk Committee can be found on pages 91 to 93.

Whistleblowing

The Group has no employees, being wholly supported by third-party service providers. However, it has a Whistleblowing policy setting out the procedures that any third party could follow to raise any concerns. Third-party service providers are expected to comply with all the relevant laws and regulations as a contractual requirement, and adequate whistleblowing procedures are included within that expectation. In particular, the Investment Adviser Whistleblowing policy offers staff, or others raising concerns, the opportunity to raise them direct with the Chair of the Group.

Insider information and Market Abuse Regulation

The Company has an Insider Dealing Policy and a Share Dealing Protocol. The Board and the Investment Adviser are responsible for ensuring that information is properly assessed to ascertain whether it is market sensitive, and advice is sought in complex areas.

The Company Secretary is responsible for ensuring that open and closed periods are recognised and communicated to all PDMRs and insiders of the Company. In accordance with the Share Dealing Protocol, all share dealings for both Directors of the Company and employees of the Investment Adviser deemed to be persons discharging managerial responsibilities must be approved in advance.

Section 5: Remuneration

The Company has no employees other than its Directors, who are all non-executive and independent of the Investment Adviser. The remuneration of the Directors is determined within the limits set out within the Company's Articles of Association and the total aggregate annual fees payable to the Directors in respect of any financial period shall not exceed £400,000.

The Company Secretary provides a comparison of the Directors' remuneration with other investment trusts of similar size and/or mandate.

This comparison, together with consideration of any change in Non-Executive Directors' responsibilities, is used to review annually whether any change in remuneration is appropriate.

More information regarding the work of the Remuneration Committee can be found in the Directors' Remuneration Report on pages 98 to 101.

NOMINATION COMMITTEE REPORT

> The Nomination Committee is essential to ensure the Board has the necessary composition of skills, experience and perspective to drive the Group's strategy.
>
> **Sally Ann Forsyth**
> Chair of the Nomination Committee

Committee members

Name	Attendance
Sally Ann Forsyth (Chair)	
Claire Boyle	
Michael Taylor	
Richard Howell	

Introduction and composition of the Committee

Following the Company's admission to the premium segment of the London Stock Exchange the Board established a Nomination Committee. The Committee is comprised of all the Directors of the Company and chaired by Sally Ann Forsyth. The Committee met twice during the year with the Committee's key responsibilities to assist the Board in reviewing the skills, diversity and composition of the Board and its Committees, taking into consideration the guiding principles from the AIC Code and Listing Rules.

Role of the Nomination Committee

The Committee's primary responsibilities include:

- regular review of the Board's structure and composition;
- preparing policies for the tenure of the Chair and the Board, succession planning for Directors;
- staying informed about strategic issues and market changes;
- identifying and nominating candidates for Board vacancies;
- ensuring diversity on the Board;
- maintaining the Company's diversity policy; and
- facilitating various evaluation processes.

Furthermore, the Committee is responsible for making recommendations to the Board on succession planning for Non-Executive Directors, the role of the Senior Independent Director, Directors' re-election, committee memberships, and the re-appointment of Non-Executive Directors.

Tenure

In accordance with the AIC Code, the Directors were required to retire at the first AGM following their appointment. Thereafter, at each AGM, all Directors, including the Chair of the Board, will seek annual re-election. The Board has not stipulated a maximum term of any directorship, except that subject to ensuring business continuity, all Non-Executive Directors will remain on the Board for a maximum period of nine years in accordance with the AIC Code. At the 25 May 2023 AGM, all Directors were re-elected. The next AGM is scheduled for 23 May 2024.

Diversity, inclusion and succession planning

In accordance with the AIC Code, the Board is comprised of a group of individuals who have an appropriate balance of skills and experience to meet the future opportunities and challenges facing the Group. Appointments are made first and foremost on the basis of merit and taking into account the recognised benefits of all types of diversity. The Board ensures that diversity is an important consideration and part of the selection criteria used to assess candidates to achieve a balanced Board.

The FCA has introduced 'comply or explain' targets that at least 40% of the Board should be women, that at least one of the senior Board positions should be held by a woman, and that at least one member of the Board should be from a minority ethnic background.

At the year end, 50% of the Board were women and Claire Boyle was the Chair and therefore the Company meets the first two of these targets.

The Company's non-compliance with the third is explained in more detail below. In accordance with Listing Rule 9.8.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity. This information has been collected by self-disclosure directly from the individuals concerned who were asked to confirm their gender and ethnicity. There have been no changes to the composition of the Board since 31 December 2023.

As the Company is an investment company with no executive directors and a small Board relative to that which would be expected for a trading company of equivalent size, it has not managed to comply with the newly introduced diversity targets as none of the current Directors come from an ethnic minority background.

Gender identity	Number of Board members	Percentage on the Board, %	Number of senior positions on the Board[1]
Men	2	50	1
Women	2	50	1
Not specified/prefer not to say	0	0	0

Ethnic background	Number of Board members	Percentage on the Board, %	Number of senior positions on the Board[1]
White British or other white (including minority white groups)	4	100	4
Mixed/multiple ethnic groups	0	0	0
Asian/Asian British	0	0	0
Asian	0	0	0
Other ethnic group, including Arab	0	0	0
Not specified/prefer not to say	0	0	0

1. Listing Rule 9.8.6(9) includes only the positions of chair, chief executive, senior independent director and chief financial officer in this category. As an externally managed investment company with no executive directors, the Company does not have either a chief executive or a chief financial officer. The Company considers the position of the Chairs of the Audit and Risk Committee and Sustainability Committee as senior positions in addition to those reported above. Of these four senior roles, two are performed by women and two by men.

NOMINATION COMMITTEE REPORT CONTINUED

Diversity, inclusion and succession planning continued

The Board will continue to take all matters of diversity into account as part of its succession planning and the benefits of diversity will continue to be considered as an important factor in all future appointments.

The Committee operates within defined terms of reference, which are regularly reviewed and updated as necessary. The terms of reference are available on the Company's website.

Activities

The Committee met two times during the year under review. At the meetings, the Committee has:

- considered the Board evaluation process including succession planning;
- reviewed results of Directors' performance/evaluation that relate to the composition of the Board;
- reviewed membership of the Board's committees;
- considered Directors standing for re-election/election at the AGM and recommendations to shareholders;
- reviewed the terms of reference; and
- reviewed internal evaluations.

Board and Committee evaluation

Towards the end of 2023, the Committee conducted an internal evaluation of the effectiveness of the Board, its Committees, the Chair and the Directors.

The 2023 evaluation was an internal performance evaluation by way of questionnaires completed by the Directors. The results were collated and a report detailing the responses was considered by the Committee along with considering areas of focus and improvement for 2024.

This process was facilitated by the Company Secretary. The scope of the questionnaire was designed to cover all aspects of the Board's operation, including the management of meetings, the strengths and independence of the Board and the Chair, individual Directors and the performance of its Committees, each Director's perspective on the Board's future priorities, training requirements, and the way the Board works as a team.

The Committee concluded that the evaluation demonstrated that the composition of the Board and its Committees continued to be appropriate and it provided adequate supervision, oversight and challenge. The areas identified for the Board to focus on in 2024 are summarised below:

Area of assessment	Agreed action
Role of the Board, strategy and governance	The Board agreed that more time outside of quarterly meetings should be spent on discussing the Group's strategy against current market conditions and to undertake more site visits to provide a greater understanding of assets in conjunction with developing the Group's strategy.
Stakeholder engagement	The levels of engagement between the Investment Adviser, Brokers and shareholders are good with feedback regularly provided by the Board. The Board will continue to increase its undertaking of stakeholder engagement in 2024.
Composition and independence	The Board will continue to monitor its composition against diversity targets and recommendations.

Looking ahead

Priorities for 2024 include keeping under review the succession plan and composition of the Board and its Committees.

Sally Ann Forsyth
Chair of the Nomination Committee

25 March 2024

AUDIT AND RISK COMMITTEE REPORT

> The Audit and Risk Committee ("Committee") plays a key role in the Group's corporate governance framework, ensuring key controls are in place, risks are mitigated and reported figures are accurate.
>
> **Richard Howell**
> Chair of the Audit and Risk Committee

Committee members

Name	Attendance
Richard Howell (Chair)	■ ■ ■
Claire Boyle	■ ■ ■
Michael Taylor	■ ■ ■
Sally Ann Forsyth	■ ■ ■

Introduction and composition of the Committee

The Committee is chaired by Richard Howell, who is a qualified chartered accountant, has a degree in Accounting and Finance from Kingston University, as well as having recent and relevant financial experience. Given the size of the Board, it is considered both proportionate and practical for all Directors to be members. The Chair of the Board is also a member of the Audit and Risk Committee, as permitted by the AIC Code. This is considered appropriate given Claire Boyle is a Fellow of the ICAEW, has a diverse background in equity investment, and her recent and relevant financial experience, having chaired audit committees herself. All members of the Committee are considered independent Non-Executive Directors by the Board on appointment.

The Committee as a whole has competence relevant to the sector in which the Group operates. For more information on the individual background of each Committee member, please see pages 76 and 77 to view their biographies.

Role and activities of the Committee

The Audit and Risk Committee is responsible for the effectiveness of internal control, risk management and auditing processes.

The Committee's primary responsibilities are to:

- consider the appointment, compensation, terms of engagement of, independence and objectivity, resignation or dismissal of the external Auditor;
- meet with the external Auditor and discuss the nature and scope of the audit, the findings from the audit, including accounting and internal controls;
- review the independence of the Auditor and provide recommendations to the Board with regard to audit engagement terms;
- review the Group's financial statements, annual accounts and accompanying reports to shareholders and announcements relating to financial information;
- review the Group's internal financial controls, the policies and overall process for identifying and assessing business risks;
- review the Group's risk register, in particular with regard to the potential impact of principal and emerging risks;
- review, on an annual basis, whether there should be an internal audit function;

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Role and activities of the Committee continued

- review the procedures for whistleblowing, detecting fraud and prevention of bribery of the outsourced service providers; and
- produce an annual report of the Committee's activities to be included in the Annual Report.

The Committee has direct access to the Group's Auditor, Deloitte LLP, and provides a forum through which the Auditor reports to the Board. Representatives of the Auditor attend Committee meetings at least annually.

The Committee operates within defined terms of reference, which are regularly reviewed and updated as necessary. The terms of reference are available on the Company's website at **www.lifesciencereit.co.uk**.

The Committee met three times during the year under review. At the meetings, the Committee:

- reviewed the internal controls and risk management systems of the Group and its third-party service providers;
- reviewed the internal audits undertaken, monitored the progress of the internal audit plan;
- agreed the audit plan with the Auditor, including the principal areas of focus, and agreed the audit fee;
- received and discussed with the Auditor its report on the results of the audit;
- reviewed the Group's interim and annual financial statements and discussed the appropriateness of the accounting policies adopted;
- reviewed the valuation of the Group's investment properties and recommended this to the Board;
- reviewed the performance of the Group's Auditors; and
- reviewed the Company's compliance with the AIC Code.

During the year, the Committee has reviewed and updated, where appropriate, the corporate risk register. This will be completed at least half-yearly, in conjunction with the Investment Adviser and AIFM. During the year, the addition of new risks to the register and, more recently, minor changes to the principal risks which demonstrated the strength of the business, are described on pages 63 to 72.

The Committee reviewed the requirement for an internal audit function following the year end and concluded that this would provide minimal added comfort at considerable extra cost to the Group.

The Committee receives reports on internal controls and compliance from the Investment Adviser in conjunction with a third-party risk and internal audit adviser and discusses these with the Investment Adviser. This report also covers the internal controls of the Group's other key service providers. No significant matters of concern were identified.

Effectiveness of external audit process

The Committee monitors and reviews the effectiveness of the external audit process for the Annual Report, including a detailed review of the audit plan and the audit results report. This review takes into account the experience and tenure of the audit partner and team, the nature and level of services provided, and confirmation that the Auditor has complied with independence standards. During the year under review, the Committee had closed sessions with the Auditor without the presence of the Investment Adviser.

Audit fees and non-audit services

An audit fee of £172,000 has been agreed in respect of the audit for the year ended 31 December 2023 (period ended 31 December 2022: £177,000) for auditing the Annual Report and consolidated financial statements. No fees for non-audit services were incurred in the current or prior year. Further information on the fees paid to the Auditor is set out in note 6 to the Financial Statements on page 122.

Auditor independence and objectivity

The Committee has considered the Auditor's independence and objectivity and reviewed the non-audit services which the Auditor provided during the year. The Committee is required to pre-approve all non-audit services prior to any work commencing and considers the safeguards in place to maintain their independence, such as the use of separate teams to mitigate the risk of any self-review, are effective. The Committee also receives an annual assurance from the Auditor that its independence is not compromised by the provision of such non-audit services. In the year, there were no non-audit services provided by the Auditor. As such, the Committee is satisfied that the Auditor's objectivity and independence has not been impaired and that the Auditor has fulfilled its obligations to the Group and the Company's shareholders.

Deloitte LLP has been the Auditor since the Company's launch in November 2021. The Committee will regularly consider the need to put the audit out to tender, the Auditor's fees and independence, and the matters raised during each audit. James Wright, the current audit partner, was appointed as audit lead during the year under review and will step down as audit partner after he has served for five years.

Re-appointment of the Auditor

The Committee has recommended to the Board the re-appointment of Deloitte LLP as Auditor to the Group. The approval of Deloitte LLP as the Group's Auditor will be put to shareholders as an ordinary resolution at the forthcoming AGM.

AIC statement of compliance

For the audit of the Financial Statements in this Annual Report, the Company complied with the mandatory audit processes, including The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ("CMA Order"), and the Committee complied with the responsibility provisions set out in the CMA Order relating to: (a) putting the audit services engagement on tender every ten years; and (b) strengthening the accountability of the external auditors to the Committee, including: that only the Committee can agree to the external auditors' fees and scope of services including authorisation of any non-audit services; and make recommendations regarding the appointment of auditors and audit engagement partner.

Fair, balanced and understandable reporting

The Committee reviewed drafts of this Annual Report and Financial Statements to consider whether it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee also gained assurance that there is a robust process of review and challenge at different levels within the Group to ensure balance and consistency.

Following the consideration of the above matters and its detailed review, the Committee was of the opinion that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Significant issues

The Committee considered the following key issues in relation to the Group's financial statements during the year:

Valuation of investment property	The Committee considered and discussed the valuation of the Group's investment properties as at 31 December 2023. The valuer attended the Committee meeting in March 2023, September 2023, and March 2024 to enable a full discussion of the valuation and underlying assumptions and to enable the Directors to challenge as appropriate.
Maintenance of REIT status	The UK REIT regime affords the Group a beneficial tax treatment for income and capital gains, provided certain criteria are met. There is a risk that these REIT conditions may not be met and additional tax becomes payable by the Group. The Committee therefore monitored the Group's compliance status and considered each of the requirements for the maintenance of the REIT status throughout the year ended 31 December 2023.
Going concern and long-term viability	The Committee considered the Group's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments and any outstanding financing covenants. Consequently, the Financial Statements have been prepared on a going concern basis. The Committee also considered the long-term viability statement within the Annual Report, for the three-year period to 31 December 2026, and the underlying factors and assumptions which contributed to the Committee concluding that three years was an appropriate length of time to consider the Group's long-term viability. The Group's going concern and viability statement can be found on pages 73 and 74.

Internal controls

Please see page 86 for an overview of the internal controls of the Group.

Committee evaluation

The Committee undertook a self-performance evaluation during the year under review. Further details on the evaluation process can be found in the Nomination Committee report on pages 88 to 90.

Look ahead to 2024

The Committee has agreed several areas of focus, including:

- ensuring continued integrity and balance in the Group's financial reporting;
- ensuring continued review of the documentation and evidence around key procedures and processes;
- actioning any required changes following the publication of the revised UK Corporate Governance;
- monitoring the Minimum Standard for Audit Committees and consider appropriate processes;
- consideration of new and emerging risks; and
- looking at specific implications of the current UK economic downturn on the Group's portfolio value including macro and life science industry specific impacts and assessing resulting financial impacts.

Richard Howell

Chair of the Audit and Risk Committee

25 March 2024

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

> The Management Engagement Committee reviews the performance and ongoing appointment of third-party service providers to ensure they are operating in the shareholders best interests.
>
> **Michael Taylor**
> Chair of the Management Engagement Committee

Committee members

Name	Attendance
Michael Taylor (Chair)	■
Claire Boyle	■
Sally Ann Forsyth	■
Richard Howell	■

Introduction and composition of the Committee

The Committee is comprised of all the Directors of the Company and chaired by Michael Taylor. The Committee met on one occasion during the year under review, in accordance with its terms of reference.

The Committee is responsible for evaluating the performance of the Group's key service providers and satisfying itself that the continuation of such service provider appointments are in the best interests of shareholders as a whole.

The Committee reviews the Investment Adviser and AIFM's agreements including the methodology used for calculating fees, to ensure that the terms remain fair and in the best interests of shareholders.

Panmure Gordon Ironstone Link Alternative Fund Administrators Limited A Waystone Group Company
savills CBRE Jefferies IQEQ Know how Know you

Role and activities of the Management Engagement Committee

The Committee operates within defined terms of reference, which are regularly reviewed and at least on an annual basis, to ensure they remain fit for purpose. The terms of reference are available on the Company's website at **https://lifesciencereit.co.uk/**.

The Committee's primary responsibilities are to:

- keep under review the performance of all service providers with the exception of the Auditor;
- reasonably satisfy itself that the Investment Management Agreement is fair and that the terms remain competitive;
- satisfy itself that the systems put in place by the AIFM, Investment Adviser, Administrator and Depositary meet legal and regulatory requirements;
- satisfy itself that matters of compliance are under proper review, including access to the Company's AIFM;
- consider whether continued employment of the Investment Adviser is in the interests of shareholders as a whole; and
- produce an annual report of the Committee's activities to be included in the Annual Report.

Investment Adviser and AIFM

Two of the key service providers of the Group are the Investment Adviser and AIFM. During the year, the Committee considered their performance against their obligations under the Investment Advisory and AIFM Agreements, and whether it was appropriate to recommend the continuing appointments of the Investment Adviser and AIFM to the Board.

In reaching its recommendation to the Board, the Committee's deliberations included consideration of:

- the investment advisory and AIFM fees as detailed on page 103;
- whether the terms of the agreements remained fair, complied with all regulatory requirements, conformed with market and industry practice and were in the best interests of shareholders; and
- the execution of the Group's investment strategy (see pages 16 to 17) by the Investment Adviser during the year.

Following the review, the Committee agreed that the Investment Adviser and AIFM had performed their duties to a high standard and recommended to the Board that the continuing appointments of the Investment Adviser and AIFM were in the best interests of the shareholders.

During the year, the Committee also reviewed the amended Investment Adviser agreement giving consideration to the terms of the agreement that had changed and whether the level and structure of the fees were impacted. On review, the Committee recommended the revised agreement to the Board for approval.

Other key service providers

The Committee reviewed the ongoing performance and the continuing appointment of the Group's other key service providers, including the Administrator, Auditor, Corporate Broker, Financial PR & Investor Relations Adviser, Legal Adviser, Property Manager, Registrar, Company Secretary, Depositary, and Valuer. The Committee recognises that ensuring excellent support and performance by service providers is critical for the Group's continuing operation as an externally managed Real Estate Investment Trust.

Committee evaluation

The Committee undertook a self-performance evaluation during the year under review. Further details on the evaluation process can be found in the Nomination Committee report on pages 88 to 90.

Michael Taylor

Chair of the Management Engagement Committee

25 March 2024

SUSTAINABILITY COMMITTEE REPORT

> Sustainability is a key focus of the Group, with the Sustainability Committee established in the year to navigate this rapidly changing landscape.
>
> **Sally Ann Forsyth**
> Chair of the Sustainability Committee

Committee members

Name	Attendance
Sally Ann Forsyth (Chair)	■ ■
Claire Boyle	■ ■
Michael Taylor	■ ■
Richard Howell	■ ■

Science Oxford, local charitable organisation

The Committee is comprised of all the Directors of the Company and chaired by Sally Ann Forsyth. the Sustainability Lead. The Committee was established in January 2023 and has met twice during the year under review. The Committee assists the Board in overseeing the implementation of the Group's sustainability strategy and the Company's contribution to society and the environment in line with its obligations under section 172.

Role and activities of the Sustainability Committee

The Committee operates within defined terms of reference, which are regularly reviewed at least on an annual basis, to ensure they remain fit for purpose. The terms of reference are available on the Company's website at **https://lifesciencereit.co.uk/**.

The Sustainability Committee complements our Audit and Risk Committee. Sustainability risks are incorporated into our corporate risk register which is reviewed and updated on a regular basis.

The Committee's primary responsibilities are to:

- oversee the formulation and implementation of the Group's sustainability strategy, review updates on any regulatory changes affecting the strategy and make recommendations to the Board regarding changes to strategy;
- review any updates on regulatory changes which could impact the implementation of the sustainability strategy;
- oversee service providers' own sustainability policies and procedures; and
- review the Group's efficacy in relation to its sustainability reporting.

The Committee met twice during the year under review. At the meetings the Committee reviewed:

- and approved the sustainability strategy;
- the timeframe for achieving a transition to net zero carbon emissions within the Company's portfolio;
- and recommended to the Board for approval the Committee terms of reference the sustainability policy.

Committee evaluation

The Committee undertook a self-performance evaluation during the year under review and considered areas of focus for 2024. Overall it was concluded that the Committee operated effectively.

Looking ahead

The Committee's priority for 2024 is to continue to oversee and embed the sustainability strategy, focusing on the decarbonisation journey of the Group's assets and the net zero pathway (see pages 42 to 43 in the Sustainability report for further details).

Sally Ann Forsyth

Chair of the Nomination Committee

25 March 2024

Oxford Technology Park, Oxford

DIRECTORS' REMUNERATION REPORT

> The Remuneration Committee's main function is approving the remuneration policy of the Directors.
>
> **Michael Taylor**
> Chair of the Remuneration Committee

Committee members

Name	Attendance
Michael Taylor (Chair)	■
Claire Boyle	■
Sally Ann Forsyth	■
Richard Howell	■

The Board has prepared this report in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The law requires the Auditor to audit certain disclosures contained within this Report and these are indicated accordingly. An ordinary resolution to approve the Directors' remuneration report will be put to shareholders at the forthcoming AGM.

Statement from the Chair

Following the migration of the Company's ordinary shares from AIM to premium listing of the London Stock Exchange in December 2022, the Board established a Remuneration Committee chaired by Michael Taylor and comprising all Directors on the Board. The Board consists entirely of Non-Executive Directors and the Group has no employees. We have not, therefore, reported on those aspects of remuneration that relate to Executive Directors.

During the year under review the Remuneration Committee met once to review the levels of remuneration for its Non-Executive Directors, including the Chair. Remuneration for all Non-Executive Directors does not include share options or any other performance-related or variable elements. No Director, including myself in my role as Chair of the Remuneration Committee, is involved in setting their own levels of remuneration.

Directors' fees are set at a level of £55,000 per annum for the Chair and £40,000 per annum for the independent Non-Executive Directors. The Chair of the Audit and Risk Committee will receive an additional £5,000 per annum. The Remuneration Committee reviewed the Directors' fees during the year and does not recommend any increase for the year ended 31 December 2024. The Directors are also entitled to out-of-pocket expenses incurred in the proper performance of their duties.

Directors are not eligible for bonuses, share options or long-term incentive schemes or other performance-related benefits, as the Board does not believe that this is appropriate for Non-Executive Directors. There are no pension arrangements in place for the Directors.

Directors' Remuneration Policy

The Directors' Remuneration Policy (the "Policy"), detailed below, is put to shareholders' vote at least once every three years and in any year if there is to be a change in Policy. In determining the Policy, the Board takes into account all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of the AIC Code. The appropriateness and relevancy of the Policy is reviewed annually, particularly to ensure that the Policy supports the long-term success of the Group. As a binding vote on the Policy is necessary every three years, an ordinary resolution to approve the Policy will next be put to shareholders at the 2025 AGM. The Board does not propose to make any changes to the existing Policy, which is set out below.

The Company has no employees other than its Directors, who are all non-executive and independent of Ironstone Asset Management Limited.

The remuneration of the Directors is determined within the limits set out within the Company's Articles of Association and the total aggregate annual fees payable to the Directors in respect of any financial period shall not exceed £400,000, subject to shareholders' approval at the next AGM.

Statement of implementation of Remuneration Policy in respect of the financial year ended 31 December 2023

The Remuneration Committee reviewed the fees during the year under review, including the time required to be committed to the business of the Company, and will consider whether any further changes to remuneration are required over the next financial year.

Statement of voting at General Meeting

Voting results from 2023 Annual General Meeting:

	For		Against		
Resolution	No. of shares	%	No. of shares	%	Votes withheld (No. of shares)
1. To receive and approve the Directors' remuneration report	236,497,636	99.68	761,688	0.32	77,734

For more information see the results on the Company's website at **www.lifesciencereit.co.uk**.

Voting results from 2022 Annual General Meeting:

	For		Against		
Resolution	No. of shares	%	No. of shares	%	Votes withheld (No. of shares)
1. To receive and approve the Directors' remuneration report	170,713,974	99.99	16,614	0.01	78,186
2. To receive and approve the Directors' remuneration policy	170,710,974	99.99	16,614	0.01	81,186

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration report

Directors' fees received for the year

The Directors who served in the year to 31 December 2023 received the following emoluments (gross of any tax or National Insurance contributions):

	Year ended 31 December 2023 Fees £'000	Year ended 31 December 2023 Total £'000	Period ended 31 December 2022 Fees £'000	Period ended 31 December 2022 Total £'000
Claire Boyle	**55**	**55**	55	55
Sally Ann Forsyth	**40**	**40**	42	42[1]
Michael Taylor	**40**	**40**	40	40
Richard Howell	**45**	**45**	29	29[2]
Total	**180**	**180**	166	166

1. Sally Ann was Chair of the Audit and Risk Committee until 23 June 2022, receiving a pro rata share of the £5,000 per annum fee.
2. Richard joined the Board as a Director on 3 May 2022, receiving his pro rata share of the £40,000 per annum fee. In addition he became Chair of the Audit and Risk Committee on 24 June 2022, receiving his pro rata share of the £5,000 per annum fee.

The information in the above table has been audited.

The Directors' remuneration is determined as per the limits set out within the Company's Articles of Association and the Remuneration Policy – with the Directors not eligible for benefits, bonuses, share options or long-term performance incentives.

Annual percentage change in remuneration of Directors

Directors' pay has increased over the last three years as set out in the table below. The Company does not have any employees and therefore no comparisons are given in respect of Directors' and employee's pay increases.

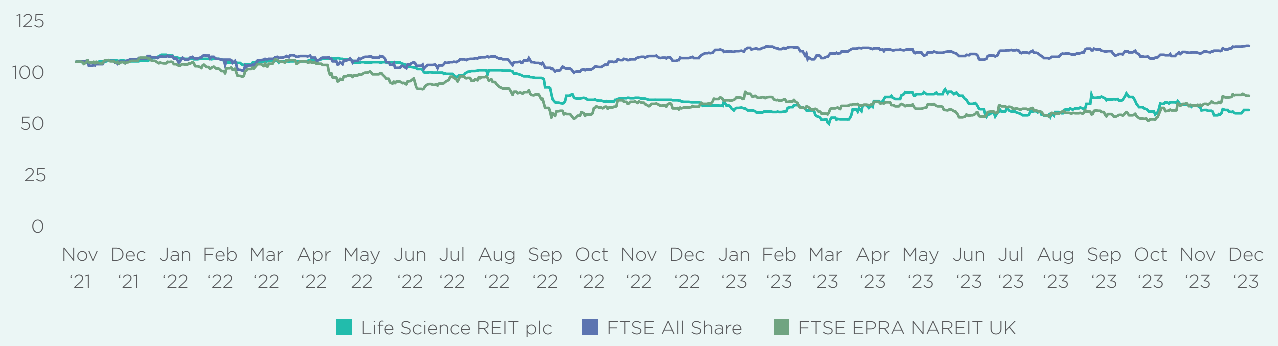
	2021 £'000	2021 to 2022 % change	2022 £'000	2022 to 2023 % change	2023 £'000
Claire Boyle[1]	12	358	55	0	55
Sally Ann Forsyth[2]	10	320	42	(5)	40
Michael Taylor[3]	8	400	40	0	40
Richard Howell[4]	n/a	n/a	29	55	45

1. Claire Boyle joined the Board as a Director on 14 October 2021, receiving her pro rata share of the £55,000 per annum fee.
2. Sally Ann joined the Board as a Director on 14 October 2021 receiving her pro rata share of the £40,000 per annum fee and was Chair of the Audit and Risk Committee until 23 June 2022, receiving a pro rata share of the £5,000 per annum fee.
3. Michael Taylor was appointed to the Board on 14 October 2021, receiving his pro rata share of the £40,000 per annum fee.
4. Richard joined the Board as a Director on 3 May 2022, receiving his pro rata share of the £40,000 per annum fee. In addition he became Chair of the Audit and Risk Committee on 24 June 2022, receiving his pro rata share of the £5,000 per annum fee.

Total shareholder return

The graph below shows the total shareholder return of the Company's ordinary shares relative to a return on a hypothetical holding over the same period in the FTSE All-Share REIT index.

Total shareholder return index (18 November 2021=100)



Source: Morningstar
Past performance is not a reliable indicator of future results

Relative importance of spend on pay

The table below sets out significant use of profit and cash in respect of the years ended 31 December 2022 and 31 December 2023.

	2023 £'000	2022 £'000	Change %
Total Directors' remuneration	180.0	166.0	8.4
Investment Adviser fees	3,389.0	3,787.0	(10.5)
Total dividend paid or declared	7.0	14.0	(50.0)

Directors' beneficial and family interests

There is no requirement under the Company's Articles of Association for Directors to hold shares in the Company. The interests of the Directors and any connected persons in the ordinary shares of the Company are set out below:

	31 December 2023 Number of shares	31 December 2022 Number of shares
Claire Boyle	30,000	30,000
Sally Ann Forsyth	20,342	20,342
Michael Taylor	20,000	20,000
Richard Howell	30,000	30,000

The above information has been audited.

There have been no changes to these holdings between 31 December 2023 and the date of this report.

On behalf of the Board

Michael Taylor
Chair of the Remuneration Committee

25 March 2024

DIRECTORS' REPORT

The Directors present the Annual Report and Financial Statements of Life Science REIT plc (the "Company") (registered number 13532483) for the year ended 31 December 2023.

In accordance with the Companies Act 2006 (as amended), the Listing Rules and the Disclosure Guidance and Transparency Rules, the Corporate Governance Statement, Directors' remuneration report, report from the Audit and Risk Committee and the statement of Directors' responsibilities should be read in conjunction with one another and the strategic report. As permitted by legislation, some of the matters normally included in the Directors' report have instead been included in the strategic report, as the Board considers them to be of strategic importance.

The corporate governance report forms part of this Directors' report and can be found at pages 75 to 105. Please refer to the Chair's statement on pages 7 to 9 and the Investment Adviser's report on pages 28 to 37 for information about future developments and important events that have occurred since the year end. For further information on the going concern and longer-term viability of the Group please see pages 73 and 74.

Status of Life Science REIT plc

The Company is an investment company, as defined in section 833 of the Companies Act 2006, and qualifies as a UK Real Estate Investment Trust ("REIT") as defined under section 527(2) of the Corporation Tax Act 2010.

Investment portfolio

A comprehensive analysis of the property portfolio can be found at page 32 and a summary of the valuation of the property portfolio can be found in note 13 on page 126. The investment policy can be found at page 156.

Directors

Biographies of each Director appointed to the Company can be found at pages 76 and 77.

The following information is disclosed in accordance with The Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and DTR 7.2.6 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Directors' authority to purchase own shares

The Company did not purchase any of its own shares during the year.

The Company will seek the authority to make market purchases of up to 14.99% of the issued ordinary share capital at the 2024 AGM via resolution 13 as included in the Notice of Meeting.

Authority to allot shares

A general authority to allot new shares (or to grant rights over shares) was given to the Directors at the Company's AGM in 2023.

The authority gives the Directors, for the period until the conclusion of the AGM in 2024, the necessary authority to allot securities up to a maximum nominal amount of £2,333,333.33.

The Directors are proposing to renew the general authority to allot shares at the 2024 AGM. This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

Disapplication of pre-emption rights

A general power to disapply the pre-emption rights set out in section 561 of the Companies Act 2006 was granted to the Directors at the AGM in 2023. The Directors are proposing a resolution to renew and extend, subject to the passing of the resolution to allot shares, the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances.

This resolution will authorise the Directors, until the date falling 15 months after the date of the passing of the resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company, to issue ordinary shares for cash, without pre-emption rights applying, of up to an aggregate nominal value of £350,000, representing approximately 10% of the issued ordinary share capital as at the date of the Notice.

This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

Current share capital

As at 31 December 2023 and the date of the report, there were 350,000,000 ordinary shares of £0.01 in issue, none of which were held in treasury. The share capital comprises one class of ordinary shares. Each ordinary share carries the right to receive profits of the Company available for distribution and determined to be distributed by way of interim or final dividends at such times as the Directors may determine in accordance with these Articles.

Results and dividends

A summary of the Group's performance during the year and the outlook for the coming year is set out in the strategic report on pages 16 and 17.

In respect of the year ended 31 December 2023, a second interim dividend of 1.0 pence (year ended 31 December 2022: 3.0 pence) per ordinary share has been declared, with a payment date of 13 May 2024. This is in line with the Group's obligation as a REIT to distribute 90.0% of the Group's aggregate UK property rental business profits as calculated for tax purposes that the Group receives during the year. The Company paid a first interim dividend of 1.0 pence per ordinary share in respect of the six-month period to 30 June 2023 on 31 October 2023.

The Group's dividend policy can be found at page 17 of the strategic report.

Substantial shareholdings

As at 31 December 2023, the following shareholders had notified the Company of their shareholdings under their DTR 5 obligations:

Shareholder	Ordinary shares held[1]	Percentage of voting rights (%)
Rathbones Investment Management Ltd[2]	63,026,057	18.0
Sarasin & Partners LLP	17,452,282	5.0
Hazelview Investments Inc.	17,300,631	4.9
Legal & General Group Plc (Group)	10,905,907	3.1

1. As at date of notification to the Company.
2. Includes Investec Wealth & Investment Limited shareholding following their acquisition by Rathbones Investment Management Limited during 2023.

It should be noted that these holdings may have changed since notified to the Company and may not therefore be wholly accurate statements of actual holdings as at 31 December 2023. However, notification of any change is not required until the next applicable threshold is crossed. Interests disclosed to the Company occurring between the year end and 25 March 2024, being the latest practicable date:

Shareholder	Ordinary shares held[1]	Percentage of voting rights (%)
Rathbones Investment Management Ltd	62,959,063	18.0
Hazelview Investments Inc.	3,784,262	1.1

1. As at date of notification to the Company.

Powers of the Board of Directors

The powers of the Directors are set out in the Articles of Association of the Company at section 104. This section states that the business of the Group shall be managed by the Board, which may exercise all the powers of the Group, whether relating to the management of the business or not, subject to any limitations imposed by legislation, the Articles and/or any directions given by special resolution of the shareholders of the Company.

Management arrangements

The Company and the AIFM have appointed Ironstone Asset Management Limited as Investment Adviser to the Group.

The Company is an alternative investment fund for the purposes of the UK AIFM Regime and, as such, is required to have an AIFM who is duly authorised to undertake that role. Pursuant to an agreement dated 21 October 2021 (the "Alternative Investment Fund Management Agreement"), the Company appointed G10 Capital Limited as its AIFM. G10 Capital Limited is authorised and regulated by the Financial Conduct Authority with firm reference number 648953.

The AIFM is responsible for overall portfolio management, risk management and compliance with the Group's investment policy and the requirements of the UK AIFM Regime that apply to the Group. The Investment Adviser is an Appointed Representative of the AIFM. As an Appointed Representative, the Investment Adviser is responsible for working with and advising the Group and the AIFM in respect of sourcing investment opportunities which meet the Group's investment policy.

As an Appointed Representative, Ironstone is exempt from the requirement to be authorised by the FCA as a pre-requisite to giving investment advice and arranging deals in investments. Ironstone is also responsible for managing the underlying real estate assets within the Group's investment portfolio, which does not constitute a regulated activity.

The AIFM has, and shall maintain, the necessary expertise and resource to supervise the delegated tasks effectively. Under the terms of the Investment Advisory Agreement, the Investment Adviser is entitled to a fee payable quarterly in arrears calculated at the rate of one quarter of 1.1% per quarter on that part of the NAV up to and including £500 million; one quarter of 0.9% per quarter on that part of the NAV in excess of £500 million and up to £1 billion; and one quarter of 0.75% per quarter on NAV in excess of £1 billion.

DIRECTORS' REPORT CONTINUED

Management arrangements continued

The Investment Advisory Agreement is terminable on 24 months' notice in writing by either party and also by the AIFM, with the consent of the Company; such notice not to be given prior to the four-year anniversary of the date of Admission.

The Alternative Investment Fund Management Agreement may be terminated by the Company or the AIFM giving not less than six months' written notice. In addition, it is terminable on 30 days' notice by either party in writing in the event that the other party is found liable for material breach of duty, negligence, wilful default, fraud or a material breach of applicable requirements in connection with the performance of its duties under this Agreement or a material or persistent breach of this Agreement, which is either irremediable or, if capable of remedy, not remedied within 30 days of receipt by the defaulting party of a notice signed on behalf of the non-defaulting party requiring such breach to be rectified.

The Company is also entitled to terminate the agreement with immediate effect in the event that the AIFM ceases to maintain its permission to act as the AIFM or such permission is suspended.

The Group pays to the AIFM, exclusive of VAT, a fixed monthly fee of £3,000 in respect of risk management and portfolio management services, a fixed quarterly fee of £4,000 for the provision of Annex IV AIFM Directive regulatory reporting and other fees for the provision of additional ad hoc services and maintaining the Key Information Documents ("KIDs"). The Group will also reimburse the AIFM for costs and expenses properly incurred by the AIFM in the performance of its obligations under the AIFM Agreement.

Continuing appointment of the Investment Adviser

The Board keeps the performance of the Investment Adviser under continual review. The Management Engagement Committee conducts an annual appraisal of the Investment Adviser's performance and makes a recommendation to the Board about the continuing appointment of the Investment Adviser. It is the opinion of the Directors that the continuing appointment of the Investment Adviser is in the interests of shareholders as a whole. The reasons for this view are that the Investment Adviser executed the investment strategy, at this early stage of the Group's development, according to the Board's expectations and on terms which, in the view of the Board, continue to remain commercial and reasonable.

NMPI

On 1 January 2014, certain changes to the FCA rules regarding the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes ("non-mainstream pooled investments", or "NMPIs") came into effect.

Since the Company obtained approval as a UK REIT, with effect from Admission to AIM on 19 November 2021, its ordinary shares of nominal value of 0.01 pence each (the "shares") are excluded from these rules and therefore the restrictions relating to NMPIs do not apply to its shares. It is the Board's intention that the Group will continue to conduct its affairs in such a manner that it maintains its approved REIT company status and that, accordingly, the Company's shares will continue to be excluded from the FCA's rules relating to NMPIs and can be recommended by financial advisers to retail investors in accordance with the FCA's rules in relation to NMPI products.

Related party transactions

No related party transactions have been entered into during the year ended 31 December 2023 or in the prior year ended 31 December 2022.

Change of control

There are no agreements to which the Company is party that might be affected by a change of control of the Company except for the agreement in relation to the Company's credit facility. The Company entered into a £150.0 million Facility Agreement with HSBC and Bank of Ireland in June 2023, expiring in June 2026. Any loan drawn under this facility agreement could require repayment upon the change of control of the Company.

Post balance sheet events

Disclosures relating to post balance sheet events can be found in note 31 to the financial statements on page 141.

Directors' indemnities and Directors' and Officers' liability insurance

The Company's agreement to indemnify each Director against any liability incurred in the course of their tenure, to the extent permitted by law, remains in place. In addition, under the Company's Articles of Association, the Directors are provided, subject to the provisions of UK legislation and at the discretion of the Board, with an indemnity in respect of liabilities owed to third parties which they may sustain or incur in connection with their appointment.

The Directors were covered throughout the year under review.

Greenhouse gas emissions

During the year under review, the Group met the criteria for reporting greenhouse gas emissions as per SECR disclosure requirements (see table on page 57). Under the leadership of the Sustainability Committee, the Group has developed a sustainability strategy and an action plan. Please see pages 44 to 45 for our approach and page 57 for greenhouse gas emissions disclosure in our EPRA sBPR reporting.

Information to be disclosed in accordance with the Listing Rule 9.8.4R

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross-reference table indicating where the information is set out. The following information required to be disclosed in accordance with Listing Rule 9.8.4R is not applicable unless stated otherwise:

- a statement of the amount of interest capitalised by the Group during the period under review with an indication of the amount and treatment of any related tax relief (see note 9);
- information in relation to the publication of unaudited financial information;
- details of any long-term incentive schemes;
- any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Group;
- details of any non-pre-emptive issues of equity for cash by the Group;
- any non-pre-emptive issues of equity for cash by the Group or by any unlisted major subsidiary undertaking;
- parent participation in a placing by a listed subsidiary;
- any contract of significance in which a Director of the Company is or was materially interested; and
- any waiver of dividends by a shareholder.

Auditor

The Directors holding office at the date of this Annual Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Deloitte LLP has expressed its willingness to be appointed as Auditor of the Group and resolutions for its appointment and to authorise the Audit and Risk Committee to determine its remuneration will be proposed at the forthcoming AGM.

Financial risk management

Please see note 24 to the financial statements on pages 136 to 139 for information on financial risk management objectives and policies in relation to the Group's market risk, interest risk, credit risk and liquidity risk.

The Group's approach to hedging is included in the investment policy on page 157.

Research and development activities

The Company and its subsidiaries did not carry out any activities in the field of research and development over the year.

Donations

The Company and its subsidiaries made £10,000 (year ended 31 December 2022: £17,095) of charitable donations during the year to organisations either within or outside of the UK. No political donations were made in either the current or prior year.

Annual General Meeting

The Company's AGM will be held on 23 May 2024. The Notice of the AGM will be circulated to shareholders separately.

The Board is of the opinion that the passing of all resolutions being put to the AGM would be in the best interests of the Company and its shareholders. The Directors therefore recommend that shareholders vote in favour of all resolutions as set out in the Notice of Meeting as they intend to do in respect of their own shareholdings.

For and on behalf of the Board

Link Company Matters Limited

Company Secretary

25 March 2024

Company number: 13532483

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and United Kingdom adopted Financial Statements in accordance with applicable UK law and in compliance with the requirements of the Companies Act 2006. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements;
- state whether the Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") subject to any material departures disclosed and explained in the Company financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations, and for ensuring that the Annual Report includes information, where applicable, for the Disclosure Guidance and Transparency Rules of the FCA.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the UK covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS and in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company (and Group as a whole); and
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company (and Group as a whole), together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board

Claire Boyle
Chair

25 March 2024

INDEPENDENT AUDITOR'S REPORT

To the members of Life Science REIT plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Life Science REIT Plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss and other comprehensive income;
- the consolidated and Parent Company statements of financial position;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated statement of cash flows;
- the material accounting policy information; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group and Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Valuation of investment properties measured at Fair Value through Profit or Loss ("FVTPL") Within this report, key audit matters are identified as follows: <> Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £5,674,000 which was determined on the basis of 2% of net asset value. We have also used a lower threshold for items impacting EPRA earnings of £297,000 which was determined on the basis of 5% of EPRA earnings.
Scoping	We have performed full scope audit procedures on the Group's consolidated balances in relation to the statement of profit or loss and other comprehensive income as well as the statement of financial position.
Significant changes in our approach	Our overall group materiality is based on 2% of net assets. In the previous year, this was determined at 1% of net assets. The year ended 31 December 2022 included the move from AIM to Main market and a continued growth in scale and assets. 2023 has been a stable year of trading and therefore we have considered it appropriate to increase materiality for FY23. On the same basis we have increased the Parent Company materiality from 1% of net assets in the previous year to 1.5% of net assets in the current year. This has been determined on a lower percentage than the Group in order for the Parent Company materiality to not exceed that of the Group. There have been no other significant changes in our approach in the current year.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Life Science REIT plc

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- challenging the directors' approved going concern assessment by assessing this against our knowledge of the business, results of our audit testing as well as prevailing macro-economic conditions;
- assessing a forecast budget for 12 months from the date of approval of the financial statements including consideration of the Group's financing arrangements and evaluating management's stress testing and mitigating actions ;
- assessing the integrity and accuracy of the forecast budget along with the historical forecasting accuracy of the model;
- reviewing the HSBC and Bank of Ireland facility agreement to consider whether all key terms and covenants are appropriately included in the forecast;
- assessing compliance with both current and forecasted loan covenants; and
- assessing the appropriateness of going concern disclosures included in the Financial Statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of investment properties measured at FVTPL

Key audit matter description	The Group's investment properties totalled £382.3million (31 December 2022: £387.6million). The Group measures the investment properties at FVTPL in accordance with IAS 40 Investment Property and are classified as Level 3 in the fair value hierarchy in accordance with IFRS 13 Fair Value Measurement. The Group's accounting policy for the investment properties is specified in Note 13 of the financial statements and also referenced as part of the audit and risk committee report per page 93. The valuation of the Group's investment properties as explained in Note 23 of the financial statements involves significant estimates and assumptions which include applying capitalisation yields to current and future rental streams that could materially affect the financial statements. Therefore, we identified the valuation of investment properties as a key audit matter. Management appoints an external valuer CBRE Limited, chartered surveyors to perform the valuations in accordance with the appropriate sections of the RICS Red Book and in line with the requirements of IFRS 13 Fair Value Measurement. The valuer has issued a valuation report on the entire property portfolio as at the year-end. The property portfolio is valued on the basis of up-to-date tenancy information supplied by management and publicly available market information. In determining the fair value, the external valuers make a number of key estimates and assumptions, in particular assumptions in relation to market comparable yields and estimates in relation to increases or decreases in future rental income. These estimates and assumptions require input from management, whilst others are subject to market forces and will change over time. Manipulation of these accounting estimates could result in material misstatements, and therefore we identified a potential fraud risk in this key audit matter.

How the scope of our audit responded to the key audit matter	In response to the above key audit matter, we: • obtained an understanding of the relevant controls over investment property valuations; • obtained and assessed the final valuation reports prepared by the Group's valuer; • involved our real estate valuation specialists to assist us in independently evaluating the appropriateness of the inputs and assumptions used in the valuation methodology (including yield and estimated rental values) for the properties; • benchmarked valuation assumptions to relevant market evidence including specific property transactions and other external data; • assessed the accuracy and completeness of data provided by management to the Group's valuer; • assessed the independence, competence, capabilities and objectivity of the Group's valuer by assessing whether the valuers are RICS approved and that there are no conditions or specific assumptions in the letter of engagement; • assessed the adequacy and completeness of disclosures presented in the financial statements. • reconciled the external valuation reports to underlying financial records to test for completeness and accuracy within the Group's financial statements; and • assessed the cost to complete in relation to development property.
Key observations	Based on the work performed we concluded that the valuation of investment properties measured at FVTPL is appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£5,674,000 (2022: £3,195,000)	£4,515,000 (2022: £3,172,000).
Basis for determining materiality	2% (31 December 2022: 1%) of the Group's net asset value.	1.5% (31 December 2022: 1%) of the Parent Company's net asset value.
Rationale for the benchmark applied	We determined materiality based on net assets value, which is deemed appropriate due to the nature of the Group's business being owners of investment property with a modest level of gearing. Investors are most likely to focus on the performance of the properties and the returns on these, and this is represented by the net assets value of the Group.	We determined materiality based on total net assets value, which is deemed appropriate due to the nature of the Parent Company's business. Further, it does not generate any revenue in its own capacity, as this is done through the investee companies that are owned by it. Investors are most likely to focus on the carrying value of the investments and this is represented by the net assets value of the Company.

A lower threshold of £297,000 (31 December 2022: £74,000) based upon 5% of EPRA earnings has also been used for items impacting EPRA earnings. We consider EPRA Earnings as a critical performance measure for the Group and a measure which is widely used within the Real Estate industry. This has been applied for testing all balances impacting that measure. Refer to pages 147– 154 for the Group's EPRA performance measures.

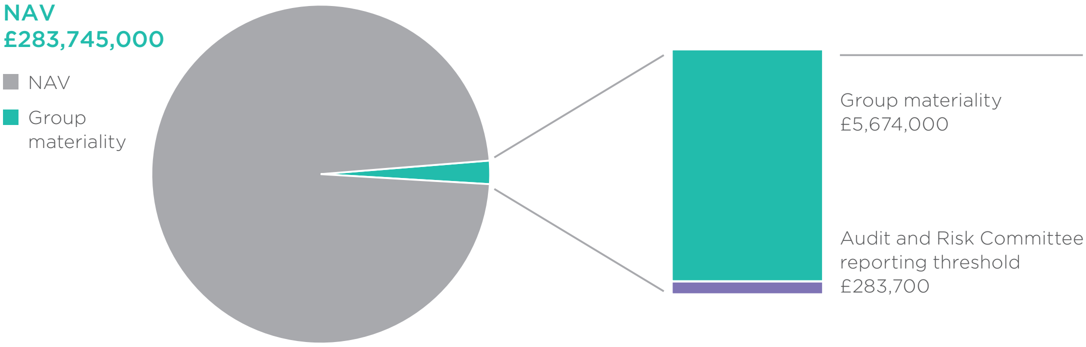
INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Life Science REIT plc

6. Our application of materiality continued

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.



	Group financial statements	Company financial statements
Performance materiality	70% (2022: 70%) of Group materiality.	70% (2022: 70%) of Company materiality.
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the quality of the control environment; we were able to rely on controls on investment property valuation; and b. low level of corrected and uncorrected misstatements identified in the prior year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £283,700 (2022: £160,000) for the overall Group financial statements and £14,850 for items impacting EPRA earnings, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Audit work to respond to the risks of material misstatement was performed directly by Group audit engagement team. We have performed full scope audit procedures on the Group's consolidated balances in relation the statement of profit or loss and other comprehensive income as well as the statement of financial position.

7.2. Our consideration of the control environment

We did not take a controls reliance approach on the general IT controls during the audit for the Group due to the simple control environment and financial reporting system. We obtained an understanding and tested the relevant manual controls over the key business processes. These include revenue, valuation of property and the financial reporting process.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Management has assessed that there is currently no material impact arising from climate change on the judgements and estimates determining the valuations within the financial statements.

We performed our own assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement.

In the current year the Group has voluntarily disclosed its alignment with the Task Force on Climate-related Financial Disclosures ("TCFD"). Our procedures included use of our ESG specialist to review the disclosure in the financial statements to ensure it is in line with the disclosure requirements, despite the Group being exempt from disclosure as a closed-end investment fund.

Our procedures also included reviewing all further disclosures included in the Strategic Report, set out on pages 38 to 59, to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, investment manager fees and performance targets;
- results of our enquiries of the investment managers, the directors and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of Life Science REIT plc

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.1. Identifying and assessing potential risks related to irregularities continued

- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of investment properties measured at FVTPL.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, REIT conditions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's compliance with health and safety matters, including fire safety and fire cladding.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of investment properties measured at FVTPL as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of the Investment managers the Audit and Risk Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 73;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 73 and 74;
- the directors' statement on fair, balanced and understandable set out on page 93;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 86;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 86; and
- the section describing the work of the audit and risk committee set out on pages 91 to 93.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the board on 11 February 2022 to audit the financial statements for the period ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the periods ended 31 December 2021 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

James Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
25 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

Continuing operations	Notes	**Year ended 31 December 2023 £'000**	Year ended 31 December 2022 £'000
Gross property income	3	**15,481**	13,124
Service charge income	3	**4,461**	2,582
Revenue		**19,942**	15,706
Recoverable service charges	4	**(4,461)**	(2,582)
Property operating expenses	4	**(1,656)**	(2,187)
Gross profit		**13,825**	10,937
Administration expenses	4	**(5,249)**	(6,565)
Operating gains before losses on investment properties		**8,576**	4,372
Fair value losses on investment properties	13	**(22,848)**	(31,312)
Loss on disposal of investment properties	13	**(317)**	—
Operating loss		**(14,589)**	(26,940)
Finance income	7	**3,807**	3,255
Finance expenses	8	**(11,070)**	(3,782)
Loss before tax		**(21,852)**	(27,467)
Taxation	9	**146**	(146)
Loss after tax for the period and total comprehensive loss attributable to equity holders		**(21,706)**	(27,613)
Loss per share (basic and diluted) (pence)	12	**(6.2)**	(7.9)

All items in the above statement derive from continuing operations. No operations were discontinued during the period.

There is no other comprehensive income and as such a separate statement is not present. The loss after tax is therefore also the total comprehensive loss.

The accompanying notes on pages 118 to 141 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31 December 2023 £'000	31 December 2022 £'000
Assets			
Non-current assets			
Investment property	13	**382,300**	387,550
Interest rate derivatives	16	**3,998**	3,871
Trade and other receivables	14	**3,409**	2,701
		389,707	394,122
Current assets			
Trade and other receivables	14	**6,656**	7,665
Cash and cash equivalents	15	**14,341**	45,606
Interest rate derivatives	16	**—**	432
		20,997	53,703
Total assets		**410,704**	447,825
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	17	**(107,918)**	(74,088)
Other payables and accrued expenses	18	**(4,604)**	(3,844)
		(112,522)	(77,932)
Current liabilities			
Interest-bearing loans and borrowings	17	**—**	(35,743)
Other payables and accrued expenses	18	**(14,437)**	(14,699)
		(14,437)	(50,442)
Total liabilities		**(126,959)**	(128,374)
Net assets		**283,745**	319,451
Equity			
Share capital	19	**3,500**	3,500
Share premium	20	**—**	—
Capital reduction reserve		**321,823**	335,823
Retained earnings	21	**(41,578)**	(19,872)
Total equity		**283,745**	319,451
Number of shares in issue (thousands)		**350,000**	350,000
Net asset value per share (basic and diluted) (pence)	22	**81.1**	91.3

These Financial Statements were approved by the Board of Directors of Life Science REIT plc on 25 March 2024 and signed on its behalf by:

Claire Boyle
Company number: 13532483

The accompanying notes on pages 118 to 141 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023		**3,500**	**—**	**335,823**	**(19,872)**	**319,451**
Loss for the year and total comprehensive loss		**—**	**—**	**—**	**(21,706)**	**(21,706)**
Dividends paid	11	**—**	**—**	**(14,000)**	**—**	**(14,000)**
Balance at 31 December 2023		**3,500**	**—**	**321,823**	**(41,578)**	**283,745**

	Notes	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022		3,500	339,339	—	7,741	350,580
Loss for the year and total comprehensive loss		—	—	—	(27,613)	(27,613)
Cancellation of share premium	20	—	(339,323)	339,323	—	—
Share issue costs	20	—	(16)	—	—	(16)
Dividends paid	11	—	—	(3,500)	—	(3,500)
Balance at 31 December 2022		3,500	—	335,823	(19,872)	319,451

The accompanying notes on pages 118 to 141 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Cash flows from operating activities			
Operating loss		**(14,589)**	(26,940)
Adjustments to reconcile profit for the year to net cash flows:			
Changes in fair value of investment properties	13	**22,848**	31,312
Adjustment for non-cash items		**317**	—
Operating cash flows before movements in working capital		**8,576**	4,372
Increase in other receivables and prepayments		**(5,177)**	(8,144)
Increase in other payables and accrued expenses		**4,216**	2,684
Net cash flow generated from/(used in) operating activities		**7,615**	(1,088)
Cash flows from investing activities			
Acquisition of investment properties		**1,653**	(179,414)
Capital expenditure		**(24,034)**	(7,641)
Disposal of investment properties		**7,516**	—
Interest received		**3,222**	677
Net cash used in investing activities		**(11,643)**	(186,378)
Cash flows from financing activities			
Share issuance costs paid		**—**	(1,118)
Bank loans drawn down	17	**142,520**	101,260
Bank loans repaid	17	**(145,304)**	(26,260)
Loan interest and other finance expenses paid		**(9,473)**	(2,069)
Loan issue costs paid	29	**(980)**	(1,203)
Dividends paid in the year		**(14,000)**	(3,500)
Net cash flow (used in)/generated from financing activities		**(27,237)**	67,110
Net decrease in cash and cash equivalents		**(31,265)**	(120,356)
Cash and cash equivalents at start of the year		**45,606**	165,962
Cash and cash equivalents at end of the year	15	**14,341**	45,606

The accompanying notes on pages 118 to 141 form an integral part of these Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. General information

Life Science REIT plc (the "Company") is a closed-ended Real Estate Investment Trust ("REIT") incorporated in England and Wales on 27 July 2021. The Company began trading on 19 November 2021 and its shares are admitted to trading on the Premium Listing Segment of the Main Market of the London Stock Exchange. The registered office of the Company is located at 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

The Group's consolidated Financial Statements for the year ended 31 December 2023 comprise the results of the Company and its subsidiaries (together constituting the "Group") and were approved by the Board and authorised for issue on 25 March 2024. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 2 to 74.

2. Basis of preparation

These Financial Statements are prepared in accordance with United Kingdom adopted International Financial Reporting Standards and in conformity with the requirements of the Companies Act 2006. The Financial Statements have been prepared under the historical cost convention, except for the revaluation of investment properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The audited Financial Statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

2.1 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern. They carefully considered areas of potential financial risk and reviewed cash flow forecasts, evaluating a number of scenarios which included severe but plausible downside sensitivities in relation to rental cash collection, making no acquisitions or discretionary capital expenditure and minimum dividend distributions under the REIT rules. Accordingly, based on this information, and in light of mitigating actions available and the reasonable expectation that the Group refinancing will be available when required, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in business for a period at least 12 months from the date of approval of the Annual Report and Financial Statements (see pages 73 and 74 for full details of the going concern assessment).

Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements have been prepared on the going concern basis.

2.2 New standards and interpretations effective in the current period

The following amendments to existing standards that are required for the Group's accounting period beginning on 1 January 2023, have been considered and applied:

- Amendments to IAS 1 and IFRS Practice Statement 2 Presentation of Financial Statements clarifies that significant accounting policies has been replaced with material accounting policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies the distinction between accounting policies and accounting estimates and also replaces the definition of accounting estimates. Under the new definition, estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty';
- IFRS 17: Insurance contracts is a new requirement from 1 January 2023 covering insurance and re-insurance contracts and is not relevant to the Group;
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction is not relevant due to the Group's REIT status; and
- Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules is not relevant due to the Group's REIT status.

There were no material effects from the adoption of the above-mentioned amendments to IFRS effective in the period. They have no significant impact to the Group as they are either not relevant to the Group's activities or require accounting which is already consistent with the Group's current accounting policies.

2.3 New and revised accounting standards not yet effective

There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2024 or later. The Group is not adopting these standards early. The following are the most relevant to the Group:

- Amendments to IAS 1 Presentation of Financial Statements clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period and not expectations of, or actual events after, the reporting date. The amendments also give clarification to the definition of settlement of a liability; and
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are not expected to have a significant impact on the preparation of the Financial Statements.

2.4 Significant accounting judgements and key sources of estimation uncertainty

The preparation of these Financial Statements in accordance with 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.

Judgements

In the course of preparing the Financial Statements, the Investment Adviser has made the following judgements in the process of applying the Group's accounting policies which have had a significant effect on the amounts recognised in the Financial Statements.

Business combinations

The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. Management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

No corporate acquisitions were made during the year and therefore no business combinations were considered in this financial year.

Estimates

In the process of applying the Group's accounting policies, the Investment Adviser has made the following estimates which have the most significant risk of material change to the carrying value of assets recognised in the consolidated Financial Statements:

Valuation of property

The valuations of the Group's investment property are at fair value as determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2022 (incorporating the International Valuation Standards) and in accordance with IFRS 13. The key estimates made by the valuer are the ERV and equivalent yields of each investment property.

On-site developments are valued by applying the 'residual method' of valuation, which is the investment method described above with a deduction for all costs necessary to complete the development, with a further allowance for remaining risk and developers' profit. Properties and land held for future development are valued using the highest and best use method, by adopting the residual method allowing for all associated risks, the investment method, or a value per acre methodology.

See notes 13 and 23 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

2. Basis of preparation continued

2.5 Summary of material accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are stated in the notes to the Financial Statements.

a) Basis of consolidation

The Company does not meet the definition of an investment entity and therefore does not qualify for the consolidation exemption under IFRS 10. The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 December 2023. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and will continue to be consolidated until the date that such control ceases. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In preparing these Financial Statements, intra-group balances, transactions and unrealised gains or losses have been eliminated in full. All non-dormant subsidiaries have the same year end as the Company. Uniform accounting policies are adopted in the Financial Statements for like transactions and events in similar circumstances.

b) Functional and presentation currency

The overall objective of the Group is to generate returns in Pound Sterling and the Group's performance is evaluated in Pound Sterling. Therefore, the Directors consider Pound Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and have therefore adopted it as the functional and presentation currency.

All values are rounded to the nearest thousand pounds (£'000), except when otherwise stated.

c) Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being the investment and management of premises relating to the life science sector.

d) Derivative financial instruments

Derivative financial instruments, comprising interest rate derivatives for mitigating interest rate risks, are initially recognised at fair value and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Group and its counterparties. Premiums payable under such arrangements are initially capitalised into the statement of financial position.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. Changes in fair value of interest rate derivatives are recognised within finance expenses in profit or loss in the period in which they occur.

e) Exceptional costs

Items are classified as exceptional by virtue of their size, nature or incidence, where their inclusion would otherwise distort the underlying recurring earnings of the Group. Examples include, but are not limited to, business transformation costs, early redemption costs of financial instruments and tax charges specific to disposals. Exceptional costs are excluded from the Group's adjusted earnings.

3. Revenue

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Rental income	14,584	11,007
Rental income straight-line adjustment	233	1,240
Other income	521	722
Insurance recharged	143	155
Gross property income	15,481	13,124
Service charge income	4,461	2,582
Total	19,942	15,706

Accounting policy

Rental and other income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in gross property income in the Group consolidated statement of profit or loss and other comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Rental and other income is invoiced in advance and for all rental and other income that relates to a future period, this is deferred and appears with current liabilities on the Group statement of financial position.

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

Occupier lease incentives are recognised as an adjustment of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the occupier has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the occupier will exercise that option.

Amounts received from occupiers to terminate leases or to compensate for dilapidations are recognised in the Group consolidated statement of profit or loss and other comprehensive income when the right to receive them arises.

Service charge income is recognised when the related recoverable expenses are incurred. The Group acts as the principal in service charge transactions as it directly controls the delivery of the services at the point at which they are provided to the occupier.

4. Property operating and administration expenses

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Recoverable service charges	4,461	2,582
Rates	457	526
Premises expenses	591	263
Service charge void costs	1,120	571
Insurance expense	153	162
Bad debt charge	(665)	665
Property operating expenses	1,656	2,187
Investment Adviser fees	3,389	3,787
Other administration expenses	1,500	1,458
Cost associated with moving to Main Market	(12)	957
Directors' remuneration (see note 5)	200	186
Audit fees (see note 6)	172	177
Administration expenses	5,249	6,565
Total	11,366	11,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

4. Property operating and administration expenses continued

Accounting policy

All property operating expenses and administration expenses are charged to the consolidated statement of profit or loss and other comprehensive income and are accounted for on an accruals basis.

Property expenses are costs incurred by the Group that are not directly recoverable from an occupier, as well as professional fees relating to the letting of our estates.

Further information on the calculation of the Investment Adviser fees is set out in note 28.

5. Directors' remuneration

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Claire Boyle	**55**	55
Sally Ann Forsyth	**40**	42
Michael Taylor	**40**	40
Richard Howell	**45**	29
Employers' National Insurance contributions	**20**	20
Total	**200**	186

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' remuneration report on pages 98 to 101. The Group had no employees in the year.

6. Auditor's remuneration

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Audit fee	**172**	177
Total	**172**	177

The Group reviews the scope and nature of all proposed non-audit services before engagement, to ensure that the independence and objectivity of the Auditor are safeguarded. Audit fees are comprised of the following items:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Group Annual Report and Financial Statements	**172**	177
Total	**172**	177

The Auditor has not undertaken any non-audit services during the year (2022: £nil). The Audit and Risk Committee has considered the independence and objectivity of the Auditor and has conducted a review of services which the Auditor has provided during the year under review. The Audit and Risk Committee receives an annual assurance from the Auditor that its independence is not compromised.

7. Finance income

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Interest receivable from interest rate derivatives	3,019	329
Income from cash and short-term deposits	636	771
Change in fair value of interest rate derivatives	—	2,047
Change in fair value of deferred consideration on interest rate derivatives	152	108
Total	**3,807**	3,255

Accounting policy

Interest income is recognised on an effective interest rate basis and shown within the Group consolidated statement of profit or loss and other comprehensive income as finance income.

8. Finance expenses

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Loan interest	8,209	4,961
Change in fair value of interest rate derivatives	3,936	—
Break fees	751	—
Loan arrangement fees written off	716	—
Loan arrangement fees amortised	458	416
Loan expenses	261	201
Gross interest costs	**14,331**	5,578
Capitalisation of finance costs	(3,261)	(1,796)
Total	**11,070**	3,782

Accounting policy

Any finance costs that are separately identifiable and directly attributable to an asset which takes a period of time to complete are amortised as part of the cost of the asset. All other finance costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with bank and other borrowings. Finance costs have been capitalised in the period in accordance with the accounting policy detailed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

9. Taxation

Corporation tax has arisen as follows:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Corporation tax on residual income	**(146)**	146
Total	**(146)**	146

Reconciliation of tax charge to profit before tax:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Loss before tax	**(21,852)**	(27,467)
Corporation tax at 23.5% (2022: 19.0%)	**(5,135)**	(5,219)
Change in value of investment properties	**5,369**	5,949
Change in value of interest rate derivatives	**(888)**	(389)
Adjustment for disallowable costs	**(3)**	—
Tax-exempt property rental business	**657**	(195)
Current year tax charge	**—**	146
Prior year accrual reversal	**(146)**	—
Total	**(146)**	146

Accounting policy

Corporation tax is recognised in the consolidated statement of comprehensive income except where in certain circumstances corporation tax may be recognised in other comprehensive income.

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property rental business, provided it continues to meet certain conditions as per the REIT regulations.

Non-qualifying profits and gains of the Group continue to be subject to corporation tax. Therefore, current tax is the expected tax payable on the non-qualifying taxable income for the period, if applicable, using tax rates enacted or substantively enacted at the balance sheet date.

The United Kingdom Government has announced an increase to the main rate of corporation tax from 19% to 25% from April 2023. As the Company is a REIT, it is not anticipated that the change in the corporate tax rate will have a material impact on the Group, however tax charges on any non-property income will increase.

10. Operating leases

Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have a remaining term of up to 21 years (31 December 2022: 22 years).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2023 are as follows:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Within one year	**15,008**	12,602
Between one and five years	**44,625**	41,784
More than five years	**31,771**	30,044
Total	**91,404**	84,430

11. Dividends

For the year ended 31 December 2023	Pence per share	£'000
Second interim dividend for year ended 31 December 2022, paid on 15 May 2023	3.0	10,500
First interim dividend for year ended 31 December 2023, paid on 31 October 2023	1.0	3,500
Total	4.0	14,000
Paid as:		
Property income distribution	—	—
Non-property income distribution	4.0	14,000
Total	4.0	14,000

For the year ended 31 December 2022	Pence per share	£'000
First interim dividend for year ended 31 December 2022, paid on 31 October 2022	1.0	3,500
Total	1.0	3,500
Paid as:		
Property income distribution	—	—
Non-property income distribution	1.0	3,500
Total	1.0	3,500

A second interim dividend of 1.0 pence per share was declared on 26 March 2024 and is due to be paid on 13 May 2024.

Accounting policy

Dividends due to the Company's shareholders are recognised when they become payable.

12. Earnings per share ("EPS")

Basic EPS is calculated by dividing profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year. As there are no dilutive instruments in issue, basic and diluted EPS are identical.

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
IFRS earnings	(21,706)	(27,613)
EPRA earnings adjustments:		
Fair value losses on investment properties	22,848	31,312
Realised losses on disposal of investment properties	317	—
Exceptional finance costs greater than one year	716	—
Changes in fair value of interest rate derivatives	3,936	(2,047)
Changes in fair value of deferred consideration payable on interest rate derivatives	(152)	(108)
EPRA earnings	5,959	1,544
Group-specific earnings adjustments:		
Exceptional finance costs less than one year	751	—
Cost associated with moving to Main Market	(12)	957
Adjusted earnings	6,698	2,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

12. Earnings per share continued

	Year ended 31 December 2023 Pence	Year ended 31 December 2022 Pence
Basic IFRS EPS	**(6.2)**	(7.9)
Diluted IFRS EPS	**(6.2)**	(7.9)
EPRA EPS	**1.7**	0.4
Adjusted EPS	**1.9**	0.7

	Year ended 31 December 2023 Number of shares	Year ended 31 December 2022 Number of shares
Weighted average number of shares in issue (thousands)	**350,000**	350,000

13. Investment property

	Completed investment property £'000	Development property and land £'000	Total investment property £'000
Investment property valuation brought forward as at 1 January 2023	**309,969**	**77,581**	**387,550**
Acquisitions[1]	**(759)**	**(21)**	**(780)**
Disposals in the year[2]	**(7,833)**	**—**	**(7,833)**
Capital expenditure	**2,410**	**20,373**	**22,783**
Finance costs capitalised	**—**	**3,261**	**3,261**
Fair value losses on investment property	**(18,182)**	**(4,666)**	**(22,848)**
Movement in rent incentives and amortisation	**167**	**—**	**167**
Transfer from development to investment[3]	**29,086**	**(29,086)**	**—**
Fair value at 31 December 2023	**314,858**	**67,442**	**382,300**

	Completed investment property £'000	Development property and land £'000	Total investment property £'000
Investment property valuation brought forward as at 1 January 2022	192,170	—	192,170
Acquisitions	130,971	82,440	213,411
Capital expenditure	641	9,565	10,206
Finance costs capitalised	—	1,796	1,796
Fair value losses on investment property	(15,060)	(16,252)	(31,312)
Movement in rent incentives and amortisation	1,247	32	1,279
Fair value at 31 December 2022	309,969	77,581	387,550

1. During 2023 there were no acquisitions of new assets, the movement reflected relates to the finalisation of prior year acquisition balances.
2. During the year ended 31 December 2023 Lumen House was disposed of for gross consideration of £7.7 million, £7.5 million net of transaction fees. After writing off the disposal value in the year of £7.8 million, a loss of £0.3 million was recognised in the consolidated statement of profit or loss and other comprehensive income.
3. Following practical completion of the IQ (Buildings 4A and 4B) at Oxford Technology Park during the year ended 31 December 2023, the properties became income-producing, resulting in a transfer from development property and land to completed investment property.

Accounting policy

Investment property comprises property held to earn rental income or for capital appreciation, or both. Investment property is recognised upon legal completion of the contract, where costs are reliably measured and future economic benefits that are associated with the property flow to the entity. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes and professional fees to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Development property and land is where the whole or a material part of an estate is identified as having potential for development. Assets are classified as such until development is completed, and they have the potential to be fully income generating. Development property and land is measured at fair value if the fair value is considered to be reliably determinable. Where the fair value cannot be determined reliably but where it is expected that the fair value of the property will be reliably determined when construction is completed, the property is measured at cost less any impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier. It is the Group's policy not to capitalise overheads or operating expenses and no such costs were capitalised in either the year ended 31 December 2023 or the year ended 31 December 2022, however £3.3 million (2022: £1.8 million) of finance costs have been capitalised in the year to 31 December 2023. Refer to note 17 for more details.

Subsequent to initial recognition, investment property is stated at fair value (see note 23). Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise under IAS 40 Investment Property.

Investment properties cease to be recognised when they have been disposed of or withdrawn permanently from use and no future economic benefit is expected. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Movements in rent incentives are presented within the total portfolio valuation.

14. Trade and other receivables

	31 December 2023 £'000	31 December 2022 £'000
Prepayments and other receivables	**2,230**	3,531
Rent and insurance receivable	**2,065**	1,133
Amounts due from property manager	**991**	2,200
Interest receivable	**763**	331
VAT receivable	**434**	—
Occupier deposits	**173**	—
Escrow account	**—**	470
Current trade and other receivables	**6,656**	7,665
Occupier deposits	**3,409**	2,701
Non-current trade and other receivables	**3,409**	2,701
Total trade and other receivables	**10,065**	10,366

Accounting policy

Rent and other receivables are recognised at their original invoiced value and become due based on the terms of the underlying lease or at the date of invoice.

The Group carries out an assessment of expected credit losses at each period end, using the IFRS 9 simplified approach, where a lifetime expected loss allowance is recognised over the expected life of the financial instrument. Adjustments are recognised in the income statement as an impairment gain or loss. The rent and insurance receivable represents gross receivables of £2.1 million (31 December 2022: £1.9 million) and a provision for doubtful debts of £nil (31 December 2022: £0.8 million). Collections for the year are 100.0% and all historic arrears have been collected, thus no further expected credit loss provision analysis is deemed necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

14. Trade and other receivables continued

Accounting policy continued

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full. The Group writes off trade receivables when there is no reasonable expectation of recovery. All current receivables other than occupier deposits were due within three months of the year ended 31 December 2023.

15. Cash and cash equivalents

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Cash	**4,341**	10,606
Cash equivalents	**10,000**	35,000
Total	**14,341**	45,606

Cash equivalents includes £10.0 million (2022: £35.0 million) of cash held by various banks on short-term deposits.

Accounting policy

Cash and cash equivalents comprise cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

16. Interest rate derivatives

	31 December 2023 £'000	31 December 2022 £'000
At the start of the year	**4,303**	—
Additional premiums paid and accrued	**3,631**	2,256
Changes in fair value of interest rate derivatives	**(3,936)**	2,047
Balance at the end of the year	**3,998**	4,303
Current	**—**	432
Non-current	**3,998**	3,871
Balance at the end of the year	**3,998**	4,303

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group entered into interest rate derivatives.

During the year to 31 December 2023, the SONIA interest rate cap that was acquired on 13 May 2022 as part of the acquisition of Oxford Technology Park Holdings Limited and its two subsidiaries expired. A number of forward starting interest rate caps have been entered into as at 26 June 2023 for a total deferred premium of £3.6 million to align with the expected debt draw down of the new debt facility. This caps SONIA at a strike rate of 2.00% with a termination date of 31 March 2025 (aligned with the existing SONIA cap that was entered into in August 2022).

Accounting policy

Interest rate derivatives are initially recognised at fair value and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Group and its counterparties. Premiums payable under such arrangements are initially capitalised into the statement of financial position.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. Changes in fair value of interest rate derivatives are recognised within finance expenses in profit or loss in the period in which they occur.

17. Interest-bearing loans and borrowings

Non-current	31 December 2023 £'000	31 December 2022 £'000
At the beginning of the year	75,000	—
Drawn in the year	142,520	101,260
Repaid in the year	(108,794)	(26,260)
Interest-bearing loans and borrowings	108,726	75,000
Unamortised fees at the beginning of the year	(912)	—
Loan arrangement fees paid in the year	(980)	(1,203)
Unamortised fees written off	716	—
Amortisation charge for the year	368	291
Unamortised loan arrangement fees	(808)	(912)
Loan balance less unamortised loan arrangement fees	107,918	74,088

Current	31 December 2023 £'000	31 December 2022 £'000
At the beginning of the year	35,833	—
Acquired in the year	—	33,582
Drawn in the year	—	—
Repaid in the year	(36,510)	—
Interest and commitment fees incurred in the year	677	2,251
Interest-bearing loans and borrowings	—	35,833
Unamortised fees at the beginning of the year	(90)	—
Loan arrangement fees paid in the year	—	(215)
Amortisation charge for the year	90	125
Unamortised loan arrangement fees	—	(90)
Loan balance less unamortised loan arrangement fees	—	35,743

In February 2023 the Fairfield debt facility that was due to expire in June 2023 and carried a high interest rate was repaid early by drawing £26.3 million from the existing HSBC debt facility in addition to utilising existing cash resources.

On 23 June 2023 the existing HSBC debt facility was refinanced with HSBC and Bank of Ireland ("BOI") split 60% and 40% respectively (the "new debt facility"). The new debt facility comprises a £100.0 million term loan and £50.0 million revolving credit facility ("RCF") with an expiry date of 23 June 2026. It has an interest rate in respect of drawn amounts of 250 basis points over SONIA and is secured on all of the assets of the Group including Oxford Technology Park ("OTP"). The new debt facility borrowers are Ironstone Life Science Holdings Limited and Oxford Technology Park Holdings Limited, both direct subsidiaries of the Company. The £100.0 million term loan was fully drawn on the date the new facility. The RCF is being drawn to fund the OTP development, with £8.7 million drawn at the year ended 31 December 2023 and a remaining £41.3 million available to utilise. The Group also has a £35.0 million accordion facility available on the RCF which has not been utilised as at 31 December 2023.

The new debt facility includes LTV and interest cover covenants. The Group is in full compliance with all loan covenants as at 31 December 2023. The facility also includes a ratchet clause that reduces the margin to 2.35% if the gross LTV decreases to 30%, based on the lenders' annual valuation of the portfolio.

The Group has also defined £40.0 million of the term loan as a Green Loan in accordance with the LMA Green Loan Principles. This is secured on Rolling Stock Yard and completed OTP buildings, which are rated either BREEAM Excellent or EPC A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

17. Interest-bearing loans and borrowings continued

Accounting policy

Loans and borrowings are initially recognised at the proceeds received net of directly attributable transaction costs. Loans and borrowings are subsequently measured at amortised cost. Interest on the old HSBC facility and new HSBC and BOI facility is charged to the consolidated statement of profit or loss and other comprehensive income at the effective interest rate and shown within finance costs. Interest on the Fairfield facility was capitalised as part of the loan principal at the effective interest rate and reflected within finance costs. The effective interest rate is calculated as the daily SONIA rate plus the facility margin. Transaction costs are amortised over the term of the loan.

Where a property is being developed or undergoing major refurbishment, finance costs associated with direct expenditure on the property are capitalised. Capitalisation commences when the activities to develop the property start and continues until the property is substantially ready for its intended use, normally practical completion.

Capitalised finance costs are calculated at the Group's weighted average interest rate.

18. Other payables and accrued expenses

	31 December 2023 £'000	31 December 2022 £'000
Capital expenses payable	4,046	5,481
Deferred income	3,686	3,692
Administration and other expenses payable	1,753	2,588
Deferred consideration on interest rate caps	2,636	820
Loan interest payable	1,823	1,027
Property operating expenses payable	320	332
Occupier deposits payable to occupier	173	—
VAT payable	—	759
Current other payables and accrued expenses	14,437	14,699
Capital expenses payable	—	—
Occupier deposits payable to occupier	3,409	2,701
Deferred consideration on interest rate caps	1,195	1,143
Non-current other payables and accrued expenses	4,604	3,844
Total other payables and accrued expenses	19,041	18,543

Accounting policy

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

Deferred income is rental income invoiced to the occupier but relates to future accounting periods. The income is deferred and is unwound to revenue on a straight-line basis over the period in which it is earned.

19. Share capital

Share capital is the nominal amount of the Company's ordinary shares in issue.

	31 December 2023		31 December 2022	
Ordinary shares of £0.01 each	Number	£'000	Number	£'000
Authorised, issued and fully paid:				
Shares issued	350,000,000	3,500	350,000,000	3,500
Balance at the end of the year	350,000,000	3,500	350,000,000	3,500

The share capital comprises one class of ordinary shares. At general meetings of the Company, ordinary shareholders are entitled to one vote on a show of hands and on a poll, for every share held. There are no restrictions on the size of a shareholding or the transfer of shares, except for the UK REIT restrictions.

Accounting policy

Share capital is the nominal amount of the Company's ordinary shares in issue.

20. Share premium

Share premium comprises the following amounts:

	31 December 2023 £'000	31 December 2022 £'000
At the start of the year	–	339,339
Shares issued	–	–
Share issue costs	–	(16)
Transfer to capital reduction reserve	–	(339,323)
Share premium	–	–

Accounting policy

Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares net of direct issue costs.

On 12 April 2022, the share premium account was cancelled in accordance with the provisions of the Companies Act 2006 in order to create distributable reserves, the capital reduction reserve.

21. Retained earnings

Retained earnings comprise the following cumulative amounts:

	31 December 2023 £'000	31 December 2022 £'000
Total unrealised loss on investment properties	(46,124)	(23,276)
Total unrealised (loss)/gain on interest rate derivatives and deferred consideration	(1,629)	2,155
Total realised gains	6,175	1,249
Retained earnings	(41,578)	(19,872)

Accounting policy

Retained earnings represent the profits of the Group less dividends paid from revenue profits to date. Unrealised gains/(losses) on the revaluation of investment properties, interest rate derivatives and deferred consideration contained within this reserve are not distributable until any gains crystallise on the sale of the investment property and interest rate caps.

As at 31 December 2023, the Company had distributable reserves available of £328.0 million (2022: £337.1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

22. Net asset value per share

Basic NAV per share amounts are calculated by dividing net assets attributable to ordinary equity holders of the Company in the statement of financial position by the number of ordinary shares outstanding at the end of the year. As there are no dilutive instruments in issue, basic and diluted NAV per share are identical.

EPRA net tangible assets ("EPRA NTA") is calculated using property values in line with IFRS, where values are net of real estate transfer tax ("RETT") and other purchasers' costs. EPRA NTA is considered to be the most relevant measure for the Group's operating activities.

	31 December 2023 £'000	31 December 2022 £'000
IFRS net assets attributable to ordinary shareholders	**283,745**	319,451
IFRS net assets for calculation of NAV	**283,745**	319,451
Adjustment to net assets:		
Fair value of interest rate derivatives	**(3,998)**	(4,303)
EPRA NTA	**279,747**	315,148

	31 December 2023 Pence	31 December 2022 Pence
IFRS basic and diluted NAV per share (pence)	**81.1**	91.3
EPRA NTA per share (pence)	**79.9**	90.0

	31 December 2023 Number of shares	31 December 2022 Number of shares
Number of shares in issue (thousands)	**350,000**	350,000

23. Fair value

IFRS 13 defines fair value 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 following methods and assumptions were used to estimate the fair values.

The fair value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

Interest-bearing loans and borrowings are disclosed at amortised cost. The carrying values of the loans and borrowings approximate their fair value due to the contractual terms and conditions of the loan. The new HSBC and BOI debt facility has an interest rate of 250 basis points over SONIA in respect of drawn amounts. The old HSBC debt facility had an interest rate of 225 basis points over SONIA in respect of drawn amounts. The Fairfield debt facility that was repaid in February 2023 had an interest rate in respect of drawn amounts of 712 basis points over SONIA.

The fair value of the interest rate contracts is recorded in the statement of financial position and is revalued quarterly by an independent valuations specialist, Chatham Financial.

Six-monthly valuations of investment property are performed by CBRE, accredited external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued, on a variable fee basis. However, the valuations are the ultimate responsibility of the Director who appraise these every six months.

The valuation of the Group's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation – Professional Standards January 2022 (incorporating the International Valuation Standards).

Completed investment properties are valued by adopting the 'income capitalisation' method of valuation. This approach involves applying capitalisation yields to current and future rental streams, net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuer's professional judgement and market observations. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

On-site developments are valued by applying the 'residual method' of valuation, which is the investment method described above with a deduction for all costs necessary to complete the development, with a further allowance for remaining risk and developers' profit. Properties and land held for future development are valued using the highest and best use method, by adopting the residual method allowing for all associated risks, the investment method, or a value per acre methodology.

The following table shows an analysis of the fair values of investment properties recognised in the statement of financial position by level of the fair value hierarchy[1]:

	31 December 2023			
Assets and liabilities measured at fair value	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investment properties	**—**	**—**	**382,300**	**382,300**
Interest rate derivatives	**—**	**3,998**	**—**	**3,998**
Deferred consideration on interest rate caps	**—**	**(3,831)**	**—**	**(3,831)**
Total	**—**	**167**	**382,300**	**382,467**

	31 December 2022			
Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment properties	—	—	387,550	387,550
Interest rate derivatives	—	4,303	—	4,303
Deferred consideration on interest rate caps	—	(1,963)	—	(1,963)
Total	—	2,340	387,550	389,890

1. Explanation of the fair value hierarchy:
   - Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
   - Level 2 – use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data; and
   - Level 3 – use of a model with inputs that are not based on observable market data.

   There have been no transfers between Level 1 and Level 2 during either year, nor have there been any transfers in or out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

23. Fair value continued

Sensitivity analysis to significant changes in unobservable inputs within the valuation of investment properties

The following table analyses:

- the fair value measurements at the end of the reporting year;
- a description of the valuation techniques applied;
- the inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- for Level 3 fair value measurements, quantitative information about significant unobservable inputs used in the fair value measurement.

31 December 2023	Fair value £'000	Valuation technique	Key unobservable inputs	Range
Completed investment property	**£314,858**	**Income Capitalisation**	**ERV**	**£16.0-£115.0 per sq ft**
			Equivalent yield	**4.75%-7.25%**
Development property	**£58,930**	**Income capitalisation/ residual method**	**ERV**	**£20.0 per sq ft**
			Equivalent yield	**5.25%-5.70%**
Development land	**£8,512**	**Comparable method/ residual method**	**Sales rate per sq ft**	**£102.4 per sq ft**
Total	**£382,300**			

31 December 2022	Fair value £'000	Valuation technique	Key unobservable inputs	Range
Completed investment property	£309,969	Income capitalisation	ERV	£18.9-£110.0 per sq ft
			Equivalent yield	4.25%-7.00%
Development property	£41,241	Income capitalisation /residual method	ERV	£20.0-£25.0 per sq ft
			Equivalent yield	5.00%-5.05%
Development land	£36,340	Comparable method/ residual method	Sales rate per sq ft	£138.6 per sq ft
Total	£387,550			

Significant increases/decreases in the ERV (per sq ft per annum) and rental growth per annum in isolation would result in a significantly higher/lower fair value measurement. Significant increases/decreases in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly higher/lower fair value measurement.

Generally, a change in the assumption made for the ERV (per sq ft per annum) is accompanied by:

- a similar change in the rent growth per annum and discount rate (and exit yield); and
- an opposite change in the long-term vacancy rate.

The table below sets out a sensitivity analysis for each of the key sources of estimation uncertainty with the resulting increase/(decrease) in the fair value of completed investment property:

As at 31 December 2023

Completed investment property	**Increase in sensitivity £'000**	**Decrease in sensitivity £'000**
Change in ERV of 10%	**31,486**	**(31,486)**
Change in net equivalent yields of 50 basis points	**(29,733)**	**35,987**

Development property	**Increase in sensitivity £'000**	**Decrease in sensitivity £'000**
Change in ERV of 10%	**5,893**	**(5,893)**
Change in net equivalent yields of 50 basis points	**(6,829)**	**8,190**

Development land	**Increase in sensitivity £'000**	**Decrease in sensitivity £'000**
Change in sales rate per sq ft of 10%	**851**	**(851)**

As at 31 December 2022

Completed investment property	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in ERV of 10%	30,997	(30,997)
Change in net equivalent yields of 50 basis points	(31,177)	38,491

Development property	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in ERV of 10%	4,124	(4,124)
Change in net equivalent yields of 50 basis points	(4,632)	5,654

Development land	Increase in sensitivity £'000	Decrease in sensitivity £'000
Change in sales rate per sq ft of 10%	3,634	(3,634)

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to a loss of £22.8 million (31 December 2022: loss of £31.3 million) and are presented in the consolidated statement of profit or loss and other comprehensive income in line item 'fair value gains/(losses) on investment properties'.

All gains and losses recorded in the consolidated statement of profit or loss and other comprehensive income for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting year.

The carrying amount of the Group's other assets and liabilities is considered to be the same as their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

24. Financial risk management objectives and policies

The Group has trade and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations.

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that future values of investments in property and related investments will fluctuate due to changes in market prices. The total exposure in the consolidated statement of financial position at the year ended 31 December 2023 is £382.3 million (31 December 2022: £387.6 million) and to manage this risk, the Group diversifies its portfolio across a number of assets. The Group's investment policy is to invest in UK-located life science assets. The Group will invest and manage its portfolio with an objective of spreading risk and, in doing so, will maintain the following investment restrictions:

- no individual building will represent more than 35% of gross asset value, reducing to 25% of gross asset value by 31 December 2023;
- the Company will target a portfolio with no one occupier accounting for more than 20% (but subject to a maximum of 30%) of the higher of either (i) gross contracted rents or (ii) the valuer's ERV of the Company's portfolio including developments under forward-funding agreements, as calculated at the time of investing or leasing;
- the aggregate maximum exposure to assets under development, including forward fundings, will not exceed 50% of gross asset value, reducing to 30% of gross asset value by 31 December 2023. Within this limit, the maximum exposure to developments, as measured by the expected gross development cost, which are not under forward-funded arrangements, will not exceed 15% of gross asset value at the commencement of the relevant development; and
- no more than 10% of gross asset value will be invested in properties that are not life science properties.

Credit risk

Credit risk is the risk that a counterparty or occupier will cause a financial loss to the Group by failing to meet a commitment it has entered into with the Group.

All cash deposits are placed with approved counterparties, all of whom have a credit rating of AA- or above. In respect of property investments, in the event of a default by an occupier, the Group will suffer a shortfall and additional costs concerning re-letting of the property. The Investment Adviser monitors the occupier arrears in order to anticipate and minimise the impact of defaults by occupational occupiers. For further details on the Group's expected credit loss policy, see note 14.

The following table analyses the Group's maximum exposure to credit risk:

	31 December 2023 £'000	31 December 2022 £'000
Cash and cash equivalents	14,341	45,606
Trade and other receivables[1,2]	5,300	7,326
Total	**19,641**	52,932

1. Excludes prepayments, occupier deposits and VAT receivable.
2. Prior year restated to exclude occupier deposits of £2.7 million reducing the figure stated from £10.0 million to £7.3 million (as detailed above). Occupier deposits are no longer deemed a credit risk as the occupier pays the deposits in cash in full upon signing the lease and when they take occupation.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to its variable rate bank loans. To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group has entered into interest rate derivatives. As at 31 December 2023 there were two interest rate derivatives in place. In August 2022 additional protection was secured against potential future interest rate rises through capping the SONIA rate at 2.0% until 31 March 2025 on the £75.0 million HSBC term loan at a premium of £2.3 million. This remains in place following the refinancing with HSBC and BOI in June 2023 which resulted in an increase in the term loan to £100.0 million and reduction in the RCF facility to £50.0 million. Following the refinancing with HSBC and BOI, in June 2023 a number of forward starting interest rate caps were entered into for a total deferred premium of £3.6 million to align with the expected debt draw down of the RCF and hedge the remaining £25.0 million term loan. This caps SONIA at a strike rate of 2.00% with a termination date of 31 March 2025.

Changes in interest rates may have an impact on consolidated earnings over the longer term. The table below provides indicative sensitivity data.

	2023		2022	
Effect on profit before tax	**Increase in interest rates by 1% £'000**	**Decrease in interest rates by 1% £'000**	Increase in interest rates by 1% £'000	Decrease in interest rates by 1% £'000
(Decrease)/increase	**(1,475)**	**1,446**	(1,554)	1,545

Foreign exchange rate risk

Management have considered the risks but not deemed them material for the business as the Group's exposure to foreign exchange rate risk as at 31 December 2023 and 31 December 2022 was minimal.

Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the Financial Statements:

	2023			2022		
	Fair value hierarchy	**Carrying value £'000**	**Fair value £'000**	Fair value hierarchy	Carrying value £'000	Fair value £'000
Held at amortised cost						
Cash and cash equivalents	**n/a**	**14,341**	**14,341**	n/a	45,606	45,606
Trade and other receivables[1]	**n/a**	**9,316**	**9,316**	n/a	10,027	10,027
Other payables and accrued expenses[2]	**n/a**	**(15,355)**	**(15,355)**	n/a	(14,851)	(14,851)
Interest-bearing loans and borrowings	**n/a**	**(107,918)**	**(107,918)**	n/a	(109,831)	(109,831)
Held at fair value						
Interest rate derivatives	**n/a**	**3,998**	**3,998**	n/a	4,303	4,303

1. Excludes prepayments.
2. Excludes deferred income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

24. Financial risk management objectives and policies continued

Liquidity risk continued

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2023	Less than three months £'000	Three to 12 months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Other payables and accrued expenses[1]	**7,976**	**2,775**	**1,318**	**2,355**	**1,054**	**15,478**
Interest-bearing loans and borrowings	**1,336**	**4,036**	**5,357**	**110,017**	**—**	**120,746**
Total	**9,312**	**6,811**	**6,675**	**112,372**	**1,054**	**136,224**

Year ended 31 December 2022	Less than three months £'000	Three to 12 months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
Other payables and accrued expenses[1]	10,874	2,753	739	485	—	14,851
Interest-bearing loans and borrowings	973	40,475	3,947	150,951	—	196,346
Total	11,847	43,228	4,686	151,436	—	211,197

1. Excludes deferred income and fair value adjustment on the deferred consideration payable on cap premiums.

25. Subsidiaries

Company	Country of incorporation and operation	Company Registration Number	Number and class of share held by the Group	Group holding
Ironstone Life Science Holdings Limited[2]	UK	13390321	1,000 ordinary shares	100%
Ironstone Life Science Cambourne Two Limited[1, 2]	UK	13779806	1 ordinary share	100%
Ironstone Life Science Cambourne Limited[1, 2]	UK	13763082	1 ordinary share	100%
Ironstone Life Science Oxford Limited[1, 2]	UK	13467718	1 ordinary share	100%
Ironstone Life Science RSY Limited[1, 2]	UK	13763039	1 ordinary share	100%
Ironstone Life Science Merrifield Limited[1, 2]	UK	13763037	1 ordinary share	100%
Deepdale Investment Holdings Limited[1, 3]	BVI	1824411	400 A ordinary shares 100 B ordinary shares	100% 100%
Merrifield Centre Limited[1, 2]	UK	11118349	21,786,493 ordinary shares	100%
Ironstone Life Science Herbrand Limited[1, 2]	UK	14044299	1 ordinary share	100%
Herbrand Properties Limited[1, 4]	BVI	1908435	6,000 ordinary shares	100%
Oxford Technology Park Holdings Limited[2]	UK	12434159	92 ordinary shares	100%
Oxford Technology Park Limited[1, 2]	UK	08483449	100 ordinary shares	100%
Oxford Technology Park Investments Limited[1, 2]	UK	12442240	1 ordinary share	100%

1. Indirect subsidiaries.
2. Registered office: Radius House, 51 Clarendon Road, Watford, WD17 1HP.
3. Registered office: Geneva Place, P.O. Box 3339, Road Town, Tortola, British Virgin Islands.
4. Registered office: Nerine Chambers, P.O. Box 905, Road Town, Tortola, 1110, British Virgin Islands.

A list of all related undertakings included within these consolidated Financial Statements is noted above. The principal activity of all the subsidiaries relates to property investment.

The Group consists of a parent company, Life Science REIT plc, incorporated in England and Wales, and a number of subsidiaries held directly by Life Science REIT plc, which operate and are incorporated in the UK, Jersey and the British Virgin Islands.

The Group owns 100% equity shares of all subsidiaries listed above and has the power to appoint and remove the majority of the Board of Directors of those subsidiaries. The relevant activities of the above subsidiaries are determined by the Board of Directors based on the purpose of each company.

Therefore, the Directors concluded that the Group has control over all these entities and all these entities have been consolidated within the consolidated Financial Statements.

The subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act. The Company has provided a guarantee under section 479C of the Companies Act 2006 in respect of the financial year ended 31 December 2023 for a number of its subsidiary companies. The guarantee is over all outstanding liabilities to which the subsidiary companies are subject at 31 December 2023 until they are satisfied in full.

Accounting policy

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the proportionate share of the acquiree's identifiable net assets. Acquisition costs (except for costs of issue of debt or equity) are expensed in accordance with IFRS 3 Business Combinations.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration is deemed to be equity or a liability in accordance with IAS 32. If the contingent consideration is classified as equity, it is not re-measured, and its subsequent settlement shall be accounted for within equity. If the contingent consideration is classified as a liability, subsequent changes to the fair value are recognised either in profit or loss or as a change to other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

26. Capital management

The Group's capital is represented by share capital, reserves and borrowings.

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. The Group's capital policies are as follows:

- the Group will keep sufficient cash for working capital purposes with excess cash, should there be any, deposited at the best interest rate available whilst maintaining flexibility to fund the Group's investment programme;
- borrowings will be managed in accordance with the loan agreements and covenants will be tested quarterly and reported to the Directors. Additionally, quarterly lender reporting will be undertaken in line with the loan agreement; and
- new borrowings are subject to Director approval. Such borrowings will support the Group's investment programme but will be subject to a maximum 55% LTV. The intention is to maintain borrowings at an LTV of between 30% and 40%.

The Group is subject to banking covenants in regard to its debt facility and these include a prescribed methodology for interest cover and market value covenants. The Group has complied with all covenants on its borrowings up to the date of this report. All of the targets mentioned above sit comfortably within the Group's covenant levels, which include LTV and forward and backward looking interest cover ratios. The Group LTV at the year end was 24.7% (2022: 16.8%) and there is substantial headroom within existing covenants.

27. Capital commitments

At 31 December 2023, the Group had contracted capital expenditure of £39.9 million (31 December 2022: £24.4 million).

28. Related party transactions

Directors

The Directors (all Non-Executive Directors) of the Company and its subsidiaries are considered to be the key management personnel of the Group. Directors' remuneration for the year totalled £200,304 (year ended 31 December 2022: £186,450) at 31 December 2023, including £20,304 of employers' National Insurance contributions (year ended 31 December 2022: £20,000); a balance of £nil (year ended 31 December 2022: £nil) was outstanding relating to employer NI. Further information is given in note 5 and in the Directors' remuneration report on pages 98 to 101.

Investment Adviser

The Company is party to an Investment Advisory Agreement with the AIFM and the Investment Adviser, pursuant to which the Investment Adviser has been appointed to provide investment advisory services relating to the respective assets on a day-to-day basis in accordance with their respective investment objectives and policies, subject to the overall supervision and direction by the AIFM and the Board of Directors.

For its services to the Company, the Investment Adviser is entitled to a fee payable quarterly in arrears calculated at the rate of one quarter of 1.1% per quarter on that part of the NAV up to and including £500 million; one quarter of 0.9% per quarter on that part of the NAV in excess of £500 million and up to £1 billion; and one quarter of 0.75% per quarter on NAV in excess of £1 billion. Refer to page 103 of the Directors' report for further information.

During the year, the Group incurred £3,388,548 (2022: £3,787,421) in respect of investment advisory fees. As at 31 December 2023, £787,521 (2022: £888,174) was outstanding.

29. Reconciliation of changes in liabilities to cash flows generated from financing activities

	Interest-bearing loans and borrowings current £'000	Interest-bearing loans and borrowings non-current £'000	Total £'000
Balance as at 1 January 2023	**35,743**	**74,088**	**109,831**
Changes from financing cash flows:			
Bank loans drawn down	**—**	**142,520**	**142,520**
Bank loans repaid	**(36,510)**	**(108,794)**	**(145,304)**
Loan arrangement fees paid in the year	**—**	**(980)**	**(980)**
Total changes from financing cash flows	**(36,510)**	**32,746**	**(3,764)**
Additional loan arrangement fees in year capitalised	**—**	**—**	**—**
Additional interest and commitment fees capitalised	**677**	**—**	**677**
Unamortised fees written off	**—**	**716**	**716**
Amortisation charge for the year	**90**	**368**	**458**
Balance as at 31 December 2023	**—**	**107,918**	**107,918**

	Interest-bearing loans and borrowings current £'000	Interest-bearing loans and borrowings non-current £'000	Total £'000
Balance as at 1 January 2022	—	—	—
Changes from financing cash flows:			
Bank loans drawn down	—	101,260	101,260
Bank loans repaid	—	(26,260)	(26,260)
Loan arrangement fees paid in the year	—	(1,203)	(1,203)
Total changes from financing cash flows	—	73,797	73,797
Loans acquired[1]	33,582	—	33,582
Additional loan arrangement fees in year capitalised	(215)	—	(215)
Additional interest and commitment fees capitalised	2,251	—	2,251
Amortisation charge for the year	125	291	416
Balance as at 31 December 2022	35,743	74,088	109,831

1. Acquired as part of the OTP acquisition in the year.

30. Ultimate controlling party

It is the view of the Directors that there is no ultimate controlling party.

31. Post balance sheet events

Dividend

A second interim dividend of 1.0 pence per share in respect of the year ended 31 December 2023 will be paid on 13 May 2024. This will be paid as an ordinary dividend with an ex-dividend date of 4 April 2024.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31 December 2023 £'000	31 December 2022 £'000
Assets			
Non-current assets			
Investment in subsidiary companies	34	**73,767**	65,138
Trade and other receivables	36	**240,336**	214,505
		314,103	279,643
Current assets			
Cash and cash equivalents	35	**10,051**	39,614
Trade and other receivables	36	**1,338**	1,421
		11,389	41,035
Total assets		**325,492**	320,678
Liabilities			
Current liabilities			
Other payables and accrued expenses	37	**(3,151)**	(5,004)
Total liabilities		**(3,151)**	(5,004)
Net assets		**322,341**	315,674
Equity			
Share capital		**3,500**	3,500
Share premium		**—**	—
Capital reduction reserve		**321,823**	335,823
Retained earnings		**(2,982)**	(23,649)
Total equity		**322,341**	315,674
Number of shares in issue (thousands)		**350,000**	350,000
Net asset value per share (basic and diluted) (pence)		**92.1**	90.2

The Company reported a profit for the year ended 31 December 2023 of £20,667,000 (year ended 31 December 2022: £22,886,000 loss).

These Financial Statements were approved by the Board of Directors of Life Science REIT plc on 25 March 2024 and signed on its behalf by:

Claire Boyle

Company number: 13532483

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023	**3,500**	**—**	**335,823**	**(23,649)**	**315,674**
Profit for the year and total comprehensive profit	—	—	—	20,667	20,667
Dividends paid	—	—	(14,000)	—	(14,000)
Balance at 31 December 2023	**3,500**	**—**	**321,823**	**(2,982)**	**322,341**

	Share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022	3,500	339,339	—	(763)	342,076
Loss for the year and total comprehensive loss	—	—	—	(22,886)	(22,886)
Share issue costs	—	(16)	—	—	(16)
Cancellation of share premium	—	(339,323)	339,323	—	—
Dividends paid	—	—	(3,500)	—	(3,500)
Balance at 31 December 2022	3,500	—	335,823	(23,649)	315,674

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. General information

Life Science REIT plc is a closed-ended REIT incorporated in England and Wales on 27 July 2021. The Company began trading on 19 November 2021 and its shares are admitted to trading on the Premium Listing Segment of the Main Market of the London Stock Exchange. The registered office of the Company is located at 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

33. Basis of preparation

These Financial Statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in conformity with the requirements of the Companies Act 2006. The Financial Statements have been prepared under the historical cost convention. The audited Financial Statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

In preparing these Financial Statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these Financial Statements do not include:

- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of Life Science REIT plc.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's consolidated Financial Statements. These Financial Statements do not include certain disclosures in respect of:

- share-based payments;
- financial instruments; and
- fair value measurement.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own statement of comprehensive income.

The Financial Statements of the Company follow the accounting policies laid out on pages 118 to 120.

The key source of estimation uncertainty relates to the Company's investment in Group companies and is stated in the Company's separate financial statements at cost less impairment losses, if any. Impairment losses are determined with reference to the investment's fair value less estimated selling costs. Fair value is derived from the subsidiaries', and their subsidiaries', net assets at the balance sheet date. Investment properties held by the subsidiary companies are supported by independent valuation. Judgements and assumptions associated with the property values of the investments held by the subsidiary companies are detailed in the Group financial statements.

34. Investment in subsidiary companies

	31 December 2023 £'000	31 December 2022 £'000
Investment in subsidiary companies		
Balance at the beginning of the year	65,138	1
Increase in investments	—	70,778
Cost of investment	(12,682)	15,670
Provision for impairment	21,311	(21,311)
Total	73,767	65,138

	31 December 2023 £'000	31 December 2022 £'000
Investment in subsidiary companies		
Ironstone Life Science Holdings Limited	1	1
Oxford Technology Park Holdings Limited	73,766	65,137
Total	73,767	65,138

Following a review comparing cost of investments to the underlying net assets of subsidiary companies, the prior year provision for impairment has been reversed (2022: £21.3 million).

Negative costs associated with the acquisition of new subsidiary companies of £12,682,000 (2022: £15,670,000) resulting from a reallocation of a prior period tax charge within the subsidiary company.

Accounting policy

Investments in subsidiary companies are included in the statement of financial position at cost less impairment. For a list of subsidiary companies, see note 25.

35. Cash and cash equivalents

	31 December 2023 £'000	31 December 2022 £'000
Cash equivalents	10,000	35,000
Cash	51	4,614
Total	10,051	39,614

Accounting policy

Cash equivalents include cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2023

36. Trade and other receivables

A. Receivables: non-current assets

	31 December 2023 £'000	31 December 2022 £'000
Amounts due from subsidiary companies	240,336	214,505
Total	**240,336**	214,505

Loans due from subsidiary companies are unsecured, interest free and repayable on demand. However these loans are not expected to be recovered within 12 months and therefore are classified as non-current assets.

B. Receivables current assets

	31 December 2023 £'000	31 December 2022 £'000
Prepayments and other receivables	1,338	1,421
Total	**1,338**	1,421

37. Other payables and accrued expenses

	31 December 2023 £'000	31 December 2022 £'000
Capital expenses payable	1,647	2,837
Administration expenses payable	1,345	1,243
Other expenses payable	159	778
Provision for corporation tax	—	146
Total	**3,151**	5,004

UNAUDITED SUPPLEMENTARY NOTES NOT PART OF THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2023

The Group is a member of the European Public Real Estate Association ("EPRA"). EPRA has developed and defined the following performance measures to give transparency, comparability and relevance of financial reporting across entities which may use different accounting standards. The following measures are calculated in accordance with EPRA guidance. These are not intended as a substitute for IFRS measures.

Table 1: EPRA performance measures summary

	Notes	Year to 31 December 2023	Year to 31 December 2022
EPRA earnings (£'000)	Table 2	**5,959**	1,544
EPRA EPS (pence)	Table 2	**1.7**	0.4
EPRA cost ratio (including direct vacancy cost)	Table 6	**44.1%**	66.3%
EPRA cost ratio (excluding direct vacancy cost)	Table 6	**33.7%**	57.8%

	Notes	31 December 2023	31 December 2022
EPRA NDV per share (pence)	Table 3	**81.1**	91.3
EPRA NRV per share (pence)	Table 3	**87.2**	95.9
EPRA NTA per share (pence)	Table 3	**79.9**	90.0
EPRA NIY	Table 4	**3.6%**	3.4%
EPRA 'topped-up' net initial yield	Table 4	**3.7%**	3.6%
EPRA vacancy rate	Table 5	**21.0%**	18.0%
EPRA loan to value	Table 10	**27.0%**	18.9%

UNAUDITED SUPPLEMENTARY NOTES NOT PART OF THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

For the year ended 31 December 2023

Table 2: EPRA income statement

	Notes	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Revenue	3	**19,942**	15,706
Less: insurance recharged	3	**(143)**	(155)
Less: service charge income	3	**(4,461)**	(2,582)
Rental income (A)		**15,338**	12,969
Property operating expenses (including recoverable service charges)	4	**(6,117)**	(4,769)
Add: insurance recharged	3	**143**	155
Add: service charge income	4	**4,461**	2,582
Gross profit (B)		**13,825**	10,937
Administration expenses	4	**(5,249)**	(6,565)
Operating profit before interest and tax		**8,576**	4,372
Finance income	7	**3,807**	3,255
Finance expenses	8	**(11,070)**	(3,782)
Less change in fair value of interest rate derivatives and deferred consideration	7, 8	**3,784**	(2,155)
Less costs of early refinancing with greater than 12 months to expiry	8	**716**	—
Adjusted profit before tax		**5,813**	1,690
Taxation	9	**146**	(146)
EPRA earnings		**5,959**	1,544
Company-specific adjustments:			
EPRA earnings		**5,959**	1,544
Cost associated with moving to Main Market	4	**(12)**	957
Cost of early refinancing with less than 12 months to expiry	8	**751**	—
Adjusted earnings		**6,698**	2,501
Weighted average number of shares in issue (thousands)	19	**350,000**	350,000
EPRA EPS (pence)	12	**1.7**	0.4
Adjusted EPS (pence)	12	**1.9**	0.7
Gross to net rental income ratio (B/A)		**90.1%**	82.6%

Adjusted earnings represents earnings from operational activities. It is a key measure of the Group's underlying operational results and an indication of the extent to which dividend payments are supported by earnings.

Table 3: EPRA balance sheet and net asset value performance measures

EPRA net disposal value ("NDV"), EPRA net reinstatement value ("NRV") and EPRA net tangible assets ("NTA"). A reconciliation of the three new EPRA NAV metrics from IFRS NAV is shown in the table below. Total accounting return will now be calculated based on EPRA NTA.

As at 31 December 2023	Notes	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000
Total properties[1]	13	382,300	382,300	382,300
Net cash/(borrowings)[2]	15, 17	(94,385)	(94,385)	(94,385)
Other net liabilities		(4,170)	(4,170)	(4,170)
IFRS NAV	22	283,745	283,745	283,745
Include: real estate transfer tax[3]		—	25,357	—
Exclude: fair value of interest rate derivatives	16	—	(3,998)	(3,998)
NAV used in per share calculations		283,745	305,104	279,747
Number of shares in issue (thousands)	19	350,000	350,000	350,000
NAV per share (pence)	22	81.1	87.2	79.9

As at 31 December 2022	Notes	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000
Total properties[1]	13	387,550	387,550	387,550
Net cash/(borrowings)[2]	15, 17	(65,227)	(65,227)	(65,227)
Other net liabilities		(2,872)	(2,872)	(2,872)
IFRS NAV	22	319,451	319,451	319,451
Include: real estate transfer tax[3]		—	20,621	—
Exclude: fair value of interest rate derivatives	16	—	(4,303)	(4,303)
NAV used in per share calculations		319,451	335,769	315,148
Number of shares in issue (thousands)	19	350,000	350,000	350,000
NAV per share (pence)	22	91.3	95.9	90.0

1. Professional valuation of investment property.
2. Comprising interest-bearing loans and borrowings (excluding unamortised loan arrangement fees) of £108.7 million net of cash of £14.3 million (31 December 2022: £110.8 million net of cash of £45.6 million).
3. EPRA NTA and EPRA NDV reflect IFRS values which are net of real estate transfer tax. Real estate transfer tax is added back when calculating EPRA NRV.

EPRA NDV details the full extent of liabilities and resulting shareholder value if Company assets are sold and/or if liabilities are not held until maturity. Deferred tax and financial instruments are calculated as to the full extent of their liability, including tax exposure not reflected in the statement of financial position, net of any resulting tax.

EPRA NTA assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

EPRA NRV highlights the value of net assets on a long-term basis and reflects what would be needed to recreate the Company through the investment markets based on its current capital and financing structure. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses, are excluded. Costs such as real estate transfer taxes are included.

UNAUDITED SUPPLEMENTARY NOTES NOT PART OF THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

For the year ended 31 December 2023

Table 4: EPRA net initial yield

	Notes	31 December 2023 £'000	31 December 2022 £'000
Total properties per external valuers' report	13	**382,300**	387,550
Less development property and land	13	**(67,442)**	(77,581)
Net valuation of completed properties		**314,858**	309,969
Add estimated purchasers' costs[1]		**20,884**	20,621
Gross valuation of completed properties including estimated purchasers' costs (A)		**335,742**	330,590
Gross passing rents[2] (annualised)		**13,663**	12,423
Less irrecoverable property costs[2]		**(1,586)**	(1,104)
Net annualised rents (B)		**12,077**	11,319
Add notional rent on expiry of rent-free periods or other lease incentives[3]		**342**	540
'Topped-up' net annualised rents (C)		**12,419**	11,859
EPRA NIY (B/A)		**3.6%**	3.4%
EPRA 'topped-up' net initial yield (C/A)		**3.7%**	3.6%

1. Estimated purchasers' costs estimated at 6.6% (31 December 2022: 6.7%).
2. Gross passing rents and irrecoverable property costs assessed as at the balance sheet date for completed investment properties excluding development property and land.
3. Adjustment for unexpired lease incentives such as rent-free periods, discounted rent period and step rents. The adjustment includes the annualised cash rent that will apply at the expiry of the lease incentive. Rent-frees expire over a weighted average period of 7 months (31 December 2022: 12 months).

EPRA NIY represents annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. It is a comparable measure for portfolio valuations designed to make it easier for investors to judge themselves how the valuation of portfolio X compares with portfolio Y.

EPRA 'topped-up' NIY incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

NIY as stated in the Investment Adviser's report calculates net initial yield on topped-up annualised rents but does not deduct non-recoverable property costs.

Table 5: EPRA vacancy rate

	31 December 2023 £'000	31 December 2022 £'000
Annualised ERV of vacant premises (D)	**4,113**	3,094
Annualised ERV for the investment portfolio (E)	**19,556**	17,181
EPRA vacancy rate (D/E)	**21.0%**	18.0%

EPRA vacancy rate represents ERV of vacant space divided by ERV of the completed investment portfolio, excluding development property and land. It is a pure measure of investment property space that is vacant, based on ERV.

Table 6: Total cost ratio/EPRA cost ratio

	Notes	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Property operating expenses (excluding service charge expenses)	4	536	1,616
Service charge expenses	4	5,581	3,153
Add back: service charge income	3	(4,461)	(2,582)
Add back: insurance recharged	3	(143)	(155)
Net property operating expenses		1,513	2,032
Administration expenses	4	5,249	6,565
Deduct: costs associated with move to Main Market	4	12	(957)
Total cost including direct vacancy cost (F)		6,774	7,640
Direct vacancy cost	3, 4	(1,587)	(1,104)
Total cost excluding direct vacancy cost (G)		5,187	6,536
Rental income[1]	3	15,338	12,969
Gross rental income (H)	3	15,338	12,969
Less direct vacancy cost		(1,587)	(1,104)
Net rental income		13,751	11,865
Total cost ratio including direct vacancy cost (F/H)		44.2%	58.9%
Total cost ratio excluding direct vacancy cost (G/H)		33.8%	50.4%

1. Includes rental income, rental income straight-line adjustment and other income as per note 3.

	Notes	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Total cost including direct vacancy cost (F)		6,774	7,640
Add back: costs associated with move to Main Market	4	(12)	957
EPRA total cost (I)		6,762	8,597
Direct vacancy cost		(1,587)	(1,104)
EPRA total cost excluding direct vacancy cost (J)		5,175	7,493
EPRA cost ratio including direct vacancy cost (I/H)		44.1%	66.3%
EPRA cost ratio excluding direct vacancy cost (J/H)		33.7%	57.8%

EPRA cost ratios represent administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income. They are a key measure to enable meaningful measurement of the changes in the Group's operating costs.

It is the Group's policy not to capitalise overheads or operating expenses and no such costs were capitalised in the year ended 31 December 2023 or the year ended 31 December 2022.

UNAUDITED SUPPLEMENTARY NOTES NOT PART OF THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

For the year ended 31 December 2023

Table 7: Lease data

As at 31 December 2023	Year 1 £'000	Year 2 £'000	Years 3-5 £'000	Year 5+ £'000	Total £'000
Passing rent of leases expiring in:	139	857	6,999	5,668	13,663
ERV of leases expiring in:	139	933	7,811	6,559	15,442
Passing rent subject to review in:	139	2,628	10,896	—	13,663
ERV subject to review in:	139	2,773	12,408	122	15,442

As at 31 December 2022	Year 1 £'000	Year 2 £'000	Years 3-5 £'000	Year 5+ £'000	Total £'000
Passing rent of leases expiring in:	524	—	6,007	5,892	12,423
ERV of leases expiring in:	809	—	6,352	6,925	14,086
Passing rent subject to review in:	1,481	—	10,855	87	12,423
ERV subject to review in:	1,827	—	12,158	101	14,086

WAULT to expiry is 5.8 years (31 December 2022: 6.2 years) and to break is 3.8 years (31 December 2022: 4.7 years).

Table 8: Capital expenditure

	Notes	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Acquisitions[1]	13	(780)	213,411
Development spend[2]	13	20,373	9,565
Completed investment properties:[3]			
No incremental lettable space – like-for-like portfolio	13	2,410	641
No incremental lettable space – other		—	—
Occupier incentives	13	167	1,279
Total capital expenditure		22,170	224,896
Debt acquired – OTP[4]	17	—	(33,582)
Conversion from accruals to cash basis		211	(4,259)
Total capital expenditure on a cash basis	Page 117	22,381	187,055

1. During 2023 there were no acquisitions of new assets, the balance reflected relates to the finalisation of prior year balances. At 31 December 2022, acquisitions include £131.0 million completed investment property and £82.4 million development property and land.
2. Expenditure on development property and land.
3. Expenditure on completed investment properties.
4. On acquisition of OTP in May 2022. £33.6 million of debt was acquired. See note 17 for further details.

Table 9: EPRA like-for-like rental income

	Notes	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000	% Change
EPRA like-for-like rental income		**8,291**	8,539	(2.9)%
Other[1]		**—**	—	
Adjusted like-for-like rental income		**8,291**	8,539	
Development lettings		**—**	—	
Properties disposed in current and prior year		**367**	340	
Properties acquired in current and prior year		**6,680**	4,090	
Rental income		**15,338**	12,969	
Service charge income	3	**4,461**	2,582	
Insurance recharge	3	**143**	155	
Revenue		**19,942**	15,706	

1. Includes back rent and other items.

Table 10: Loan to value ("LTV") and EPRA LTV

Gross debt less cash, short-term deposits and liquid investments, divided by the aggregate value of properties and investments. The Group has also opted to present the EPRA LTV which is defined as net borrowings divided by total property market value.

	Notes	31 December 2023 £'000	31 December 2022 £'000
Interest-bearing loans and borrowings[1]	17	**108,726**	110,833
Cash	15	**(14,341)**	(45,606)
Net borrowings (A)		**94,385**	65,227
Investment property at fair value (B)	13	**382,300**	387,550
LTV (A/B)		**24.7%**	16.8%

EPRA LTV

	Notes	31 December 2023 £'000	31 December 2022 £'000
Interest-bearing loans and borrowings[1]	17	**108,726**	110,833
Net payables[2]		**8,976**	8,177
Cash	15	**(14,341)**	(45,606)
Net borrowings (A)		**103,361**	73,404
Investment properties at fair value	13	**382,300**	387,550
Total property value (B)		**382,300**	387,550
EPRA LTV (A/B)		**27.0%**	18.9%

1. Excludes unamortised loan arrangement fees asset of £0.8 million (31 December 2022: £1.0 million) (see note 17).
2. Net payables includes trade and other receivables, other payables and accrued expenses. See page 115 for a full breakdown.

UNAUDITED SUPPLEMENTARY NOTES NOT PART OF THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

For the year ended 31 December 2023

Table 11: Total accounting return

The movement in EPRA NTA over a period plus dividends paid in the period, expressed as a percentage of the EPRA NTA at the start of the period.

	Notes	Year ended 31 December 2023 Pence per share	Year ended 31 December 2022 Pence per share
Opening EPRA NTA (A)	22	**90.0**	100.2
Movement (B)		**(10.1)**	(10.2)
Closing EPRA NTA	22	**79.9**	90.0
Dividend per share (C)	11	**4.0**	1.0
Total accounting return (B+C)/A		**(6.8)%**	(9.1)%

Table 12: Interest cover

Adjusted operating profit before gains on investment properties, interest and tax, divided by the underlying net interest expense.

	Notes	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Adjusted operating profit/(loss) before gains on investment properties (A)[1]		**8,564**	5,329
Finance expenses	8	**11,070**	3,782
Add back: capitalised finance costs	8	**3,261**	1,796
Less: exceptional finance costs	8	**(1,467)**	–
Less: finance income	7	**(3,807)**	(3,255)
Add back: change in fair value of interest rate derivatives and deferred consideration	7, 8	**(3,784)**	2,155
Loan interest (B)		**5,273**	4,478
Interest cover (A/B)		**162.4%**	119.0%

1. Adjusted for move to Main Market costs £(12,000) (31 December 2022: £1.0 million).

Table 13: Ongoing charges ratio

Ongoing charges ratio represents the costs of running the REIT as a percentage of NAV as prescribed by the Association of Investment Companies.

	Notes	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Administration expenses	4	**5,249**	6,565
Less: cost associated with moving to Main Market	4	**12**	(957)
Annualised ongoing charges (A)		**5,261**	5,608
Opening NAV as at start of year		**319,451**	350,580
NAV as at 30 June		**314,270**	357,461
Closing NAV as at 31 December		**283,745**	319,451
Average undiluted NAV during the year (B)		**305,822**	342,497
Ongoing charges ratio (A/B)		**1.7%**	1.6%

PROPERTY PORTFOLIO

As at 31 December 2023

Property	Town	Postcode	Area (sq ft)
The Merrifield Centre	Cambridge	CB1 3LQ	12,600
Rolling Stock Yard	London	N7 9AS	53,900
Cambourne Park, Science & Technology Campus	Cambridge	CB23 6DW	230,400
7-11 Herbrand Street	London	WC1N 1EX	68,600
Oxford Technology Park[1]	Oxford	OX5 1GN	497,600

1. Full build-out area. Area practically complete as at 31 December 2023 was 173,400 (31 December 2022: 104,300 sq ft).

SHAREHOLDER INFORMATION

The Company was incorporated on 27 July 2021. This Annual Report and Financial Statements covers the period from 1 January 2023 to 31 December 2023.

The Company's ordinary shares were admitted to trading on AIM on 19 November 2021 following IPO and the Group's operations therefore commenced on this date. Following the Company's migration to the Premium Listing Segment of the Main Market of the London Stock Exchange ("LSE"), its shares were cancelled from AIM on 1 December 2022 and admitted to trading on the Main Market of the LSE.

Capital structure

The Company's share capital consists of ordinary shares of £0.01 each. At shareholder meetings, members present in person or by proxy have one vote on a show of hands and on a poll have one vote for each ordinary share held. Shareholders are entitled to receive such dividends as the Directors resolve to pay out of the assets attributable to ordinary shares. Holders of ordinary shares are entitled to participate in the assets of the Company attributable to the ordinary shares in a winding up of the Company. The ordinary shares are not redeemable. As at the date of this report, there were 350,000,000 ordinary shares in issue, none of which are held in treasury.

Investment objective

The Company's investment objective is to provide shareholders with an attractive level of total return. The focus will be capital growth whilst also providing a growing level of income by investing primarily in a diversified portfolio of UK properties that are leased or intended to be leased to occupiers operating in the life science sector.

Investment policy

The Company seeks to achieve its investment objective by investing in a diversified portfolio of properties across the UK which are typically leased or intended to be leased to occupiers operating in, or providing a benefit to, the life science sector ("life science properties"). Life science is the branch of sciences concerned with all processes affecting living organisms. This encompasses servicing and the study of the breadth of life systems, and the structure and behaviour of living things.

Companies operating in the life science sector include, but are not limited to, those involved in the innovation, development and/or production of assets directly or indirectly for human health purposes. These assets include compounds, products and devices derived and designed for application in numerous fields.

The Company does not limit itself in relation to the types of properties it acquires or develops, but examples may include wet and dry laboratories, offices, incubators and co-working space, manufacturing and testing facilities and data centres. The Company retains flexibility to acquire individual buildings, a group of buildings across a single science park or the entirety of a science park.

This may include purchasing or developing buildings that are leased or intended to be leased to occupiers providing ancillary services to employees of companies operating in, or providing a benefit to, the life science sector.

The Company typically invests in income-producing assets. The Company focuses on investing where it believes that the underlying property is consistent with the overarching objective of providing shareholders with capital growth whilst also providing a growing level of income. Investment decisions are based on analysis and due diligence, including, but not limited to, location, occupier profile and demand, rental growth prospects, lease terms and/or asset management/enhancement opportunities.

The Company may acquire properties either directly or through corporate structures (whether onshore or offshore) and also through joint venture or other shared ownership or co-investment arrangements. In circumstances where the Company does not hold a controlling interest in the relevant investment, the Company will seek, through contractual and other arrangements to, inter alia, ensure that each investment is operated and managed in a manner that is consistent with the Company's investment policy.

Any asset management or development opportunities that the Company pursues are conducted in such a way as to minimise any development risk, typically through the use of forward funding or similar arrangements. Asset management opportunities may include, but are not limited to, refurbishing or extending existing assets or where the Company may seek to maximise or change alternative use values of existing operational assets. The Company may from time to time invest in development opportunities without a forward-funding arrangement including pre-developed land or land where planning permission may be required, subject to a restriction that maximum exposure to these developments will not exceed 15% of gross asset value.

It is anticipated that properties will be held for the long-term. However, the Company may undertake opportunistic disposals of properties considered to be in the best interests of shareholders.

The Company invests in and actively manages its assets with the objective of reducing and diversifying risk and, in doing so, maintains the following investment restrictions:

- no individual building will represent more than 35% of gross asset value, reducing to 25% of gross asset value by 31 December 2023;
- the Company targets a portfolio with no one occupier accounting for more than 20% (but subject to a maximum of 30%) of the higher of either (i) gross contracted rents or (ii) the valuer's ERV of the Company's portfolio including developments under forward-funding agreements, as calculated at the time of investing or leasing;
- the aggregate maximum exposure to assets under development, including forward fundings, will not exceed 50% of gross asset value, reducing to 30% of gross asset value by 31 December 2023. Within this limit, the maximum exposure to developments, as measured by the expected gross development cost, which are not under forward-funded arrangements, will not exceed 15% of gross asset value at the commencement of the relevant development; and
- no more than 10% of gross asset value will be invested in properties that are not life science properties.

In addition, the Company will not invest more than 10% of gross asset value in other alternative investment funds or closed-ended investment companies.

Compliance with the above restrictions is calculated immediately following investment and non-compliance resulting from changes in the price or value of assets following investment is not considered as a breach of the investment restriction.

The Company defines: (i) "gross asset value" as "the value of the assets of the Company and its subsidiaries from time to time, determined in accordance with the accounting policies adopted by the Company"; (ii) "gross contracted rents" as "the total rent receivable on a property plus rent contracted from expiry of rent-free periods and uplifts agreed under the leases contracted on the Company's portfolio of properties"; and (iii) "ERV" as "the estimated annual open market rental value of lettable space".

Gearing

The level of gearing will be on a prudent basis for the asset class, and seek to achieve a low cost of funds, whilst maintaining flexibility in the underlying security requirements and the structure of the Company. It is envisaged that an LTV ratio of between 30% and 40% would be the optimal capital structure for the Company over the longer term. However, in order to finance value-enhancing opportunities, the Company may temporarily incur additional gearing, subject to a maximum LTV ratio of 55%, at the time of an arrangement.

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

Use of derivatives

The Company may utilise derivatives for efficient portfolio management only. In particular, the Company may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases on borrowings incurred in accordance with the gearing limits as part of the Company's portfolio management.

Cash management policy

The Company may hold cash on deposit and may invest in cash equivalent investments, which may include short-term investments in money market type funds ("cash and cash equivalents").

There is no restriction on the amount of cash and cash equivalents that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash and cash equivalents position.

REIT status

The Company intends to continue conducting its affairs so as to enable it to remain qualified as the principal company of a REIT group for the purpose of Part 12 of the Corporation Tax Act 2010 (and the regulations made thereunder).

SHAREHOLDER INFORMATION CONTINUED

Investment policy continued

Changes to, and breach of, the investment policy

Any material change to the Company's investment policy set out above will require the prior approval of shareholders by way of an ordinary resolution at a general meeting.

In the event of a breach of the investment guidelines and the investment restrictions set out above, the AIFM shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

Share dealing and share prices

Shares can be traded through your usual stockbroker. The Company's shares are admitted to trading on the LSE.

Share register enquiries

The register for the ordinary shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar on 0371 664 0300. You can also email **enquiries@linkgroup.co.uk**. Changes of address and mandate details can be made over the telephone, but all other changes to the register must be notified in writing to the Registrar: Link Group, Shareholder Services, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Electronic communications from the Company

Shareholders have the opportunity to be notified by email when the Company's Annual Report, Half-yearly Report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company. If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on the inner back cover. Please have your investor code to hand.

Share capital and net asset value information

Ordinary 1p shares	350,000,000
SEDOL Number	BP5X4Q2
ISIN	GB00BP5X4Q29

Sources of further information

Copies of the Company's Annual and Half-yearly Reports are available from the Company Secretary, who can be contacted at **LABS_CoSec@Linkgroup.co.uk** and, together with stock exchange announcements and further information on the Company, are also available on the Company's website, **www.lifesciencereit.co.uk**.

Financial calendar

26 March 2024
Announcement of final results

13 May 2024
Proposed payment of second interim 2023 dividend

23 May 2024
Annual General Meeting

30 June 2024
Half-year end

September 2024
Announcement of half-yearly results

31 December 2024
Year end

GLOSSARY

Adjusted earnings per share ("Adjusted EPS")
EPRA EPS adjusted to exclude one-off costs, divided by the weighted average number of shares in issue during the period

AGM
Annual General Meeting

AIC
The Association of Investment Companies

AIFM
Alternative Investment Fund Manager

AIM
A market operated by the London Stock Exchange

Association of Investment Companies
The Company is a member of the AIC

BREEAM
Building research establishment environmental assessment method

BREEAM Interim Excellent
Interim BREEAM certifications indicate the performance of the building at the design stage of assessment

Carbon neutrality
Purchasing carbon reduction credits equivalent to emissions released without the need for emission reductions to have taken place

Company
Life Science REIT plc

Contracted rent
Gross annual rental income currently receivable on a property plus rent contracted from expiry of rent-free periods and uplifts agreed at the balance sheet date less any ground rents payable under head leases

Development property and land
Whole or a material part of an estate identified as having potential for development. Such assets are classified as development property and land until development is completed and they have the potential to be fully income generating

EPC
Energy performance certificate

EPRA
The European Public Real Estate Association, the industry body for European REITs

EPRA cost ratio
The sum of property expenses and administration expenses as a percentage of gross rental income calculated both including and excluding direct vacancy cost

EPRA earnings
IFRS profit after tax excluding movements relating to changes in fair value of investment properties, gains/losses on property disposals, changes in fair value of financial instruments and the related tax effects

EPRA earnings per share ("EPRA EPS")
A measure of EPS on EPRA earnings designed to present underlying earnings from core operating activities based on the weighted average number of shares in issue during the period

EPRA guidelines
The EPRA Best Practices Recommendations Guidelines October 2019

EPRA like-for-like rental income
The increase/decrease in rental income on properties owned throughout the current and previous year under review. This growth rate includes revenue recognition and lease accounting adjustments but excludes development property and land in either year and properties acquired or disposed of in either year

EPRA NAV/EPRA NDV/EPRA NRV/EPRA NTA per share
The EPRA net asset value measures figures divided by the number of shares outstanding at the balance sheet date

EPRA net disposal value ("EPRA NDV")
The net asset value measure detailing the full extent of liabilities and resulting shareholder value if company assets are sold and/or if liabilities are not held until maturity. Deferred tax and financial instruments are calculated as to the full extent of their value or liability, net of any resulting tax

EPRA net initial yield ("EPRA NIY")
The annualised passing rent generated by the portfolio, less estimated non-recoverable property operating expenses, expressed as a percentage of the portfolio valuation (adding notional purchasers' costs), excluding development property and land

EPRA net reinstatement value ("EPRA NRV")
The net asset value measure to highlight the value of net assets on a long-term basis and reflect what would be needed to recreate the Company through the investment markets based on its current capital and financing structure. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses, are excluded. Costs such as real estate transfer taxes are included

EPRA net tangible assets ("EPRA NTA")
An EPRA net asset value measure with adjustments made for the fair values of certain financial derivatives and assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability

EPRA sBPR
European public real estate association sustainable best practice recommendations

EPRA 'topped-up' net initial yield
The annualised passing rent generated by the portfolio, topped up for contracted uplifts, less estimated non-recoverable property operating expenses, expressed as a percentage of the portfolio valuation (adding notional purchasers' costs), excluding development property and land

EPRA vacancy rate
Total open market rental value of vacant units divided by total open market rental value of the portfolio excluding development property and land

EPS
Earnings per share

Equivalent yield
The weighted average rental income return expressed as a percentage of the investment property valuation, plus purchasers' costs, excluding development property and land

ERV
The estimated annual open market rental value of lettable space as assessed by the external valuer

GLOSSARY CONTINUED

EU taxonomy
A classification system that aims to provide a clear definition of what should be considered as 'sustainable' economic activity

FCA
Financial Conduct Authority

Fitwel
A real estate certification that measures a building against seven health impact categories

GAV
Gross asset value

Group
Life Science REIT plc and its subsidiaries

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standards

IFRS earnings per share ("EPS")
IFRS earnings after tax for the year divided by the weighted average number of shares in issue during the period

IFRS NAV per share
IFRS net asset value divided by the number of shares outstanding at the balance sheet date

Interest cover
Adjusted operating profit before gains on investment properties, interest and tax divided by the underlying net interest expense

Investment property
Completed buildings excluding development property and land, also referred to as investment assets

Like-for-like rental income movement
The increase/decrease in contracted rent of properties owned throughout the period under review, expressed as a percentage of the contracted rent at the start of the period, excluding acquisitions, disposals, development property and land

Like-for-like valuation movement
The increase/decrease in the valuation of properties owned throughout the period under review, expressed as a percentage of the valuation at the start of the period, net of capital expenditure

Loan to value ratio ("LTV")
Gross debt less cash and short-term deposits, divided by the aggregate value of properties and investments

Main Market
The premium segment of the London Stock Exchange's Main Market

NAV
Net asset value

Net initial yield ("NIY")
Contracted rent at the balance sheet date, expressed as a percentage of the investment property valuation, plus purchasers' costs, excluding development property and land

Net rental income
Gross annual rental income receivable after deduction of ground rents and other net property outgoings including void costs and net service charge expenses

Net reversionary yield ("NRY")
The anticipated yield to which the net initial yield will rise (or fall) once the rent reaches the ERV

Net zero carbon
The overall balance between emitting and absorbing carbon in the atmosphere

Occupancy
Total open market rental value of the units leased divided by total open market rental value excluding, development property and land, equivalent to one minus the EPRA vacancy rate

Ongoing charges ratio
Ongoing charges ratio represents the costs of running the Group as a percentage of IFRS NAV as prescribed by the Association of Investment Companies

Passing rent
Gross annual rental income currently receivable on a property as at the balance sheet date less any ground rents payable under head leases

Property income distribution ("PID")
Profits distributed to shareholders which are subject to tax in the hands of the shareholders as property income. PIDs are usually paid net of withholding tax (except for certain types of tax-exempt shareholders). REITs also pay out normal dividends called non-PIDs

RCF
Revolving credit facility

Real Estate Investment Trust ("REIT")
A listed property company which qualifies for, and has elected into, a tax regime which is exempt from corporation tax on profits from property rental income and UK capital gains on the sale of investment properties

Scope 1 and 2 emissions
GHGs released directly and indirectly from the Group e.g. company offices, company vehicles and energy purchased by the Group

Scope 3 emissions
All other GHGs released indirectly by the Group, upstream and downstream of the Group's business

SONIA
Sterling Overnight Index Average

Task Force on Climate-related Financial Disclosures ("TCFD")
An organisation established with the goal of developing a set of voluntary climate-related financial risk disclosures to be adopted by companies to inform investors and the public about the risks they face relating to climate change

Total accounting return
The movement in EPRA NTA over a period plus dividends paid in the period, expressed as a percentage of the EPRA NTA at the start of the period

Total cost ratio
EPRA cost ratio excluding one-off costs calculated both including and excluding vacant property costs

UK AIFM Regime
The Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019) and the Investment Funds Sourcebook forming part of the FCA Handbook

Weighted average unexpired lease term ("WAULT")
Average unexpired lease term to first break or expiry weighted by contracted rent across the portfolio, excluding development property and land

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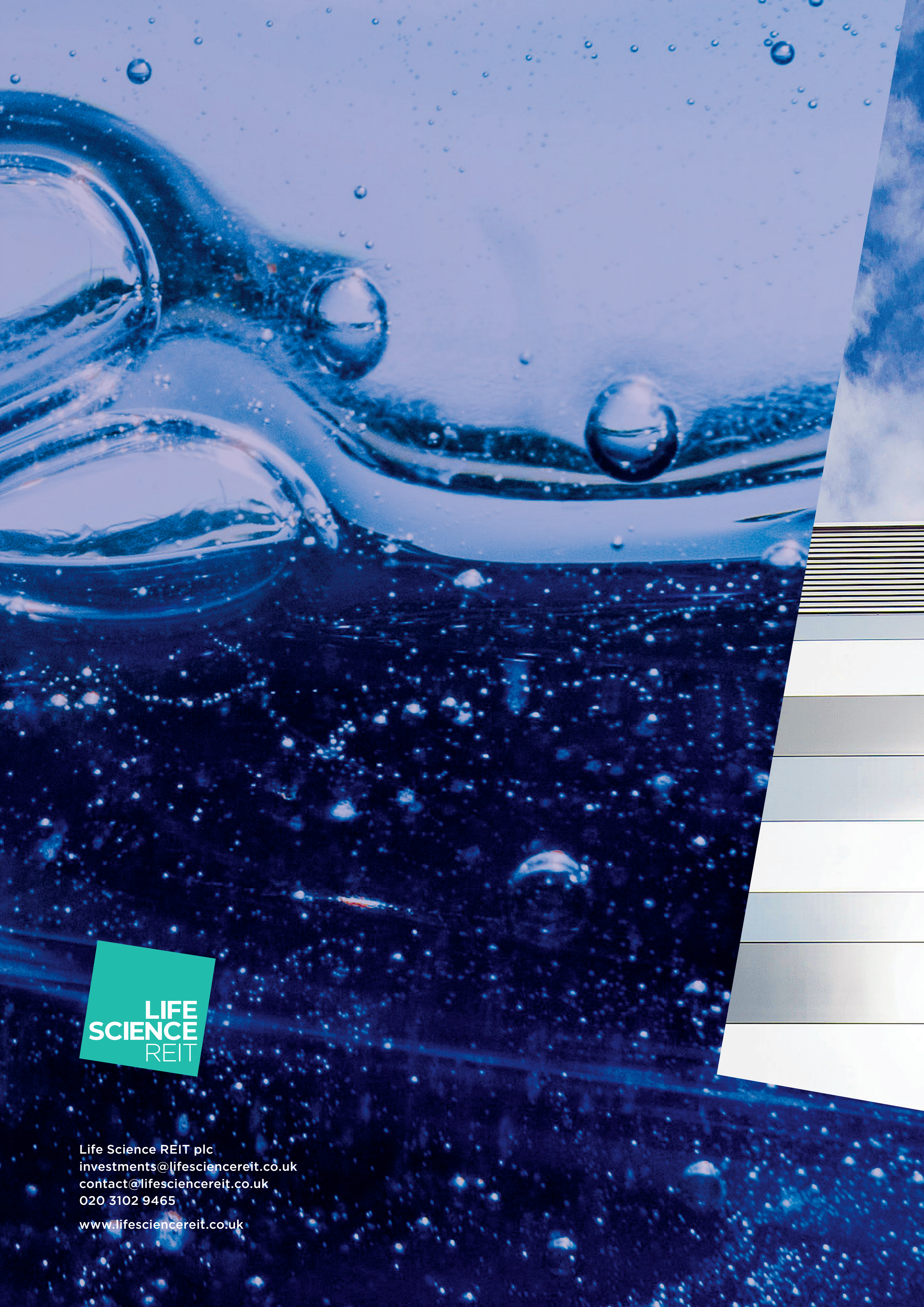

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