

28th March 2023

Regional REIT Limited

("Regional REIT", the "Group" or the "Company")

2022 Full Year Results

A robust performance with strong rent collections and increased rental income, with a sector leading dividend yield

Regional REIT (LSE: RGL), the regional office specialist today announces its full year results for the year ended 31 December 2022.

Financial highlights:

- Net rental income increased by 12.2% to £62.6m (2021: £55.8m) - reflecting large portfolio acquisition in August 2021
- EPRA EPS of 6.6pps (2021: 6.6pps); IFRS EPS (12.6)pps (2021: 6.3pps)
- 2022 dividend of 6.6pps (2021: 6.5pps), fully covered by EPRA earnings; currently yielding more than 11.3%*
- Total rent collection for 2022 was 98.7%** of rent due, improved against the 97.7% of rent collected for the equivalent period in 2021
- Primarily as a consequence of macro factors affecting the property sector, the portfolio value decreased to £789.5m (2021: £906.1m); reflecting a decrease of 12.1% on a like-for-like basis in the year, after adjusting for capital expenditure, acquisitions and disposals - outperforming the MSCI Rest of UK Office index capital decline of 17.3% over the same period
- IFRS Net Asset Value per share 78.1p (2021: 97.4p); EPRA NTA per share of 73.5p (2021: 97.2p)
- Rent roll remained strong at £71.8m (2021: £72.1m); average rent let by sq.ft. increased by 7.0% to £13.65
- Group's cost of debt (incl. hedging) remained low at 3.5% pa (2021: 3.3% pa) - 100% fixed and hedged, ensuring the maximum cost of debt will not exceed 3.5% pa
- Weighted average debt duration 4.5 years (2021: 5.5 years)
- Net LTV increased to 49.5% (2021: 42.4%), due to the reduction in portfolio valuation; ample headroom remains on all loan covenants

*At a share price of 58.2p at the close of 27 March 2023.

**As at 17 March 2023, rent collections to 31 December 2022 amounted to 98.7%; actual rent collected 98.7%, monthly rents 0.0% and deals agreed of 0.0%.

Operational highlights:

A high-quality portfolio of property assets diversified by geography and tenant type - generating substantial rental income whilst delivering a high quarterly dividend

- Rental income generated from a large spread of tenants and industries across a growing and geographically diversified portfolio of 154 properties (2021: 168), 1,552 units (2021: 1,511) and 1,076 occupiers (2021: 1,077)
- Portfolio valuation split by region: England 78.3% (2020: 75.7%), Scotland 16.7% (2021: 19.0%) and the balance of 5.0% in Wales (2021: 5.3%). In England, the largest regions were the Midlands and the South East

- The Group made disposals amounting to £84.1m (net of costs) during 2022. The proceeds from these disposals were promptly recycled into acquiring £74.7m (before costs) of attractive earnings accretive assets
- At the period end, 91.8% of the portfolio by market value was offices (2021: 89.8%), retail 3.6% (2021: 3.7%), industrials 3.1% (2021: 5.1%), and Other 1.4% (2021: 1.4%)
- EPRA Occupancy (by ERV) was 83.4% (2021: 81.8%)
- Completed 114 new lettings in 2022, totalling 330,173 sq. ft., which will provide gross rental income of c. £5.9m

Post period end

- On 14 February 2023, the Company announced that 99% of its tenants had returned to the office in some form.
- On 23 February 2023, the Company declared the Q4 2022 dividend of 1.65pps, which will be paid to shareholders on 6 April 2023.

Stephen Inglis, CEO of London and Scottish Property Investment Management, the Asset Manager, commented:

"Following the turmoil of the pandemic, 2022 was an operationally strong year with earnings accretive asset recycling of £84.1m (after costs) of disposals and £74.7m (before costs) of acquisitions in areas identified as growth regions across the UK.

"The macro-economic environment provided significant headwinds for REITs in 2022 and was one of the most challenging years we have seen for the property sector in some time, as inflation has driven costs upwards and the increase in interest rates impacted valuations. We have not been immune to these challenges, with rising energy costs putting pressure on net earnings and the portfolio valuation decreasing by 12.9% to £789.5m, versus the MSCI Rest of UK Office decline of 17.3%; reflecting a decrease of 12.1% on a like-for-like basis, after adjusting for acquisitions, disposals and capital expenditure.

"In spite of all of the challenges, robust rent collections of 99% for the twelve months ended 31 December 2022 enabled the delivery of a covered dividend of 6.6pps, which we had indicated at the beginning of 2022. I would like to take this opportunity to thank my team for all their hard work and yet again delivering for our shareholders.

"As previously announced, a November 2022 study of our tenant's active occupation noted 99% of our tenant roster had returned to the office in some form, with only 12 tenants still to return, and we are witnessing increasing numbers of employees returning across all regions of the UK. I have consistently stated that it will be the end of 2023 and into 2024 before we see any long term trends emerging as companies see employees return to the office in numbers, which will then determine what works best for their business and their employees. It is clear there will not be a one size fits all strategy. However, the clear anecdotal evidence convinces me that most businesses will end up with the majority of people in the office the majority of time, which remains supportive for overall demand in our sector."

Forthcoming Events

24 May 2023	May 2023 Trading Update and Outlook Announcement Q1 2023 Dividend Declaration Announcement
25 May 2023	Annual General Meeting
12 September 2023	2023 Interim Results Announcements
9 November 2023	Q3 2023 Trading Update

Note: All dates are provisional and subject to change.

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About Regional REIT

Regional REIT Limited ("Regional REIT" or the "Company") and its subsidiaries (the "Group") is a United Kingdom ("UK") based real estate investment trust that launched in November 2015. It is managed by London & Scottish Property Investment Management Limited, the Asset Manager, and Toscafund Asset Management LLP, the Investment Manager.

Regional REIT's commercial property portfolio is comprised wholly of income producing UK assets and comprises, predominantly of offices located in the regional centres outside of the M25 motorway. The portfolio is geographically diversified, with 154 properties and 1,076 occupiers as at 31 December 2022, with a valuation of c.£789.5m.

Regional REIT pursues its investment objective by investing in, actively managing and disposing of regional core and core plus property assets. It aims to deliver an attractive total return to its Shareholders, targeting greater than 10% per annum, with a strong focus on income supported by additional capital growth prospects.

For more information, please visit the Group's website at www.regionaireit.com

Cautionary Statement

This document has been prepared solely to provide additional information to Shareholders to assess the Group's performance in relation to its operations and growth potential. The document should not be relied upon by any other party or for any other reason. Any forward-looking statements made in this document are done so by the Directors in good faith based on the information available to them up to the time of their approval of this document. However, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

ESMA Legal Entity Identifier ("LEI"): 549300D8G4NKLRIKBX73

Financial Highlights

Year ending 31 December 2022

Income focused - opportunistic buying and strategic selling, coupled with intensive asset management, continues to secure long-term income

Portfolio Valuation	£789.5m (2021: £906.1m)
IFRS NAV per Share	78.1p (2021: 97.4p)
EPRA* NTA per Share	73.5p (2021: 97.2p)
EPRA* earnings per Share	6.6p (2021: 6.6p)
Dividend per Share	6.6p (2021: 6.5p)
Net Loan to Value Ratio**	49.5% (2021: 42.4%)
Weighted Average Cost of Debt**	3.5% (2021: 3.3%)

Weighted Average Debt Duration**

4.5 yrs (2021: 5.5yrs)

* The European Public Real Estate Association (EPRA)

** Alternative Performance Measures. Details are provided in the full Annual Report.

EPRA

The EPRA's mission is to promote, develop and represent the European public real estate sector. As an EPRA member, we fully support the EPRA Best Practices Recommendations. Specific EPRA metrics can be found in the Company's financial and operational highlights, with further disclosures and supporting calculations can be found within the full Annual Report.

Operational Highlights

Year ending 31 December 2022

Deliberately diversified and strengthened portfolio by location and tenant - regions primed for growth

Properties	154
Units	1,552
Tenants	1,076
Rent Roll	£71.8m
Portfolio by region and sector (by value)	
England & Wales	83.3%
Office	91.8%
Property acquisitions (before costs)	£74.7m
Number of properties	6
Property disposal proceeds (net of costs)	£84.1m
Number of properties	20
EPRA Occupancy by ERV*	83.4%
WAULT to expiry	4.7 yrs
WAULT to first break	3.0 yrs

* Alternative Performance Measures. Details are provided in the full Annual Report.

Performance Highlights

Year ending 31 December 2022

The high dividend distributions are a major component of the total return

Dividends declared per Share	Pence
2022	6.60
2021	6.50
2020	6.40
2019	8.25
2018	8.05
2017	7.85
2016	7.65
2015	1.00

EPRA

EPRA Total Return attributable to Shareholders since Admission [^]	24.2%
EPRA Annual Total Return attributable to Shareholders	3.1%

[^]Admission: 6 November 2015

Member of FTSE All-Share Index since March 2016

Member of FTSE EPRA NAREIT UK Index since June 2016

Total EPRA Return (from IPO)
(EPRA NTA and dividend declared)

	Pence per share
IPO Nov 2015	100
2015	107.8
2016	113.2
2017	119.9
2018	137.5
2019	142.9
2020	136.3
2021	141.2
2022	124.2

Chairman's Statement

"Despite the challenging macroeconomic backdrop impacting valuations across all sectors of commercial real estate, Regional REIT achieved a good operational performance throughout 2022. Rent collections normalised and our market fundamentals remained robust allowing for an increase in the

quarterly dividend distribution for 2022.

Our unique sector leading asset and property management teams continued to manage the portfolio with a hands-on approach, providing our customers with vibrant spaces within which they can thrive and grow."

Kevin McGrath, Chairman

Overview

I am pleased to report the Group performed operationally well during a difficult year, driving forward the EPRA* earnings per share to 6.6p and increasing the dividend per share to 6.6p. The lifting of the Government restrictions across the UK in the early part of 2022 witnessed the return to the office, the normalisation of rent collection and increased space enquiries resulting in increased active occupancy across the portfolio.

We continued to work closely with our occupiers providing vibrant spaces within which they can grow their businesses, increasing our diversification by occupier profile, whilst enhancing our Environmental, Social and Governance ("ESG") credentials.

Following the tightening of the monetary policy implemented in 2022, real estate values across most sectors were impacted. Our portfolio has not been immune with the value decreasing by 12.9% to £789.5 million; after adjusting for acquisitions, disposals and capital expenditure, reflected a decrease of 12.1% on a like-for-like basis. However, it has been resilient versus a decline of 17.3% for the MSCI Rest of UK Offices Index. During 2022, we continued to drive forward our strategy of being the regional office specialist of choice, with the disposal of non-core assets amounting to £84.1 million (net of costs) and net initial yields of 4.9%. The proceeds have been promptly recycled into acquiring higher yielding properties of superior quality, amounting to £74.7 million before costs and reflecting net initial yields of 8.4%. Market conditions continue to present opportunities with the aforementioned disposals and acquisitions adding a net £1.6 million to the rent roll. The assets acquired are located in areas identified as places of regional growth. The rolling capital expenditure programme amounted to £10.0 million.

Timely capital recycling continued to underpin our defensive strategy of focusing upon opportunities to de-risk our offering both by geographical and tenant spread.

Rent collection remained strong throughout 2022. Currently, rent collection for the period to 17 March 2023 amounts to 98.7%** (2021: equivalent period 97.7%) and resulted in EPRA basic and diluted earnings of 6.6 pence per share ("pps") (2021: 6.6pps). IFRS basic and diluted loss per share were (12.6pps) (2021: gain 6.3pps). The dividend was covered by EPRA earnings.

* Alternative Performance Measures. Details are provided in the full Annual Report.

**As at 17 March 2023, rent collection to 31 December 2022 amounted to 98.7%; actual rent collected 98.7%, monthly rents 0.0% and deals agreed of 0.0%.

Financial Resources

The Company continues to be in a financially robust position with an EPRA NTA of £379.2 million (31 December 2021: £501.4 million) and a cash balance of £50.1 million as at 31 December 2022 (31 December 2021: £56.1 million), of which £37.8 million is unrestricted (31 December 2021: £49.9 million).

One of the Company's key achievements has been its defensive debt positioning which aims to mitigate rate volatility. The borrowings comprise of 56.9% of fixed rate debt, with the balance being swapped or capped. This proactive and defensive approach ensured that the weighted average cost of debt increased only marginally to 3.5% at 31 December 2022 from 3.3% at 31 December 2021.

Furthermore, the simple and flexible debt profile with strong lender relationships continued to ensure that the Company is well positioned for any further economic turbulence. These attributes remain evident going forward with no requirement to refinance until August 2024.

Following this active period of capital recycling, the net borrowings Net Loan-to-Value (LTV) at 31 December 2022 amounted to 49.5% (31 December 2021: 42.4%). The programme of asset management initiatives continues to be executed to ensure the LTV reverts to our long-term target of c. 40%.

Our debt facilities have ample headroom against their respective covenants and the Company is in a robust position from a debt perspective.

Sustainability

We have continued to deliver significant progress to our key sustainability objectives through our business model. Our impact

we have continued to devote significant resources to further integrate sustainability within our business model. Particularly noteworthy in this regard is the appointment of Massy Larizadeh as a non-executive Director of the Company in June 2022 who will lead the Board's efforts in relation to ESG.

We were pleased to increase our Global Real Estate Sustainability Benchmark (GRESB) from 52 to 60, and to be awarded an inaugural bronze for EPRA sustainability disclosures. During 2022, with the assistance of our external advisors, we have made good progress on our individual properties' Net Zero Carbon (NZC) surveys. Once the surveys have been completed, we will announce NZC pathway and targets.

During the year the team benefitted from training regarding sustainability matters provided by external consultants.

In addition, the Company has joined the UK Green Building Council and the Better Building Partnership.

Market Environment

Investment in the UK commercial property market reached £54.1 billion in 2022, according to research by Lambert Smith Hampton ("LSH")¹, although this was 5.0% below the volumes recorded in 2021, it was 3.0% above the five-year average and 9.7% above pre-COVID-19 levels in 2019.

Savills research highlights that regional office investment in the second half of 2022 was muted at £1.5 billion. This brought the total regional office investment in 2022, 26.9% below the five-year average. Savills anticipate that regional office investment will remain subdued in short-term. However, some research suggests that confidence is now building among overseas investors as capital values fall and the occupational market remains robust.

According to MSCI, average rents in the regional office market (outside of London and the South East) increased by 1.5% in 2022.

More details can be found in the Asset Manager's Report in the full Annual Report.

Dividends

The dividend is the major component of Total Shareholder Returns. Over the period under review, the Company declared total dividends of 6.6pps (2021: 6.5pps), comprising four quarterly dividends of 1.65pps. This represents a yield of 11.2%, at a share price of 59.0p as at 31 December 2022. Since inception, the Company has declared dividends amounting to 52.3pps and to date the Company has distributed c.£200 million in dividends.

It should be highlighted that looking ahead there is a clear aspiration by the Board to maintain its record of uninterrupted quarterly dividend payments. This is predicated on the strength of the Company's balance sheet and the strong rent collections received throughout the year.

Performance

For the year under review, the Company's Total Shareholder Return was -31.3%, versus the return of -31.9% for the FTSE EPRA NAREIT UK Total Return Index over the same period.

Since listing on 6 November 2015, the Company's EPRA Total Return was 24.2% and the annualised EPRA Total Return was 3.1%. Total Shareholder Return was 1.4%, compared to the FTSE EPRA NAREIT UK Total Return Index, which has generated a return of -16.9% over the same period.

Management Agreements

Following a review by the Management Engagement and Remuneration Committee (the "MERC") and having sought advice from Peel Hunt LLP, the Company's Financial Adviser and Broker, the Company and the Asset and Investment Managers agreed to amend the terms of the annual management fees charged, by reducing their fees to: (i) 1.1% of the EPRA NTA up to and equal to £500,000,000; (ii) 0.9% of EPRA NTA above £500,000,000 and up to or equal to £1,000,000,000; (iii) 0.7% of EPRA NTA above £1,000,000,000 and up to or equal to £1,500,000,000; and (iv) 0.5% of EPRA NTA above £1,500,000,000.

In addition, the management agreements between the Company and the Asset and Investment Manager had a three-year term to November 2023. In view of the resilient returns of the Company, the significant increase in its size and there being less than one year to expiry of the current agreements, the Board sought to secure the services of the Managers. In doing so, the Committee conducted a review to ensure that the terms of these agreements remained appropriate. The Committee sought advice from Peel Hunt LLP and Macfarlanes LLP, the Company's Legal Adviser. Following this review, which included comparisons of Shareholder returns against those of its peer group and consideration of the interests of the Company, the Company and the Managers each agreed to waive their right to issue a termination notice on or before 3 November 2022 and the management agreements will now continue in force until 3 November 2026.

Annual General Meeting

The Company plans to hold its 2023 Annual General Meeting ("AGM") in person on Wednesday, 25 May 2023. The notice for the 2023 AGM will be published on our website and will be circulated to Shareholders in accordance with the requirements of the Company's Articles of Incorporation.

Mr Bee and Mr Eason will not stand for annual re-election at the forthcoming AGM by reason of re-location overseas and ill health, respectively. The Board thanks Mr Bee and Mr Eason for their invaluable commitment to the Company and wishes them well for the future.

Mr Taylor will assume the role of Senior Independent Director and Ms Larizadeh will become Chair of both the Nomination Committee and the Management Engagement and Remuneration Committee.

The Board does not intend to appoint new Directors in the short-term and will incorporate discussions to ensure an orderly refreshment of the Board in its current succession planning.

The Board very much looks forward to meeting with Shareholders at the AGM.

Shareholder and Stakeholder Engagement

Ultimately, the experience of our tenants and other stakeholders will influence our performance. Our aim is to continue to offer great working environments, from a small flexible unit to a landmark corporate headquarters, allowing our tenants to thrive.

Direct engagement with our tenants is an important part of our asset management initiatives, to help us understand their needs and identify opportunities and challenges. We encourage our tenants to work openly and collaboratively with us to enable us to continually improve our workspaces and deliver mutual benefit. Likewise, we encourage this with our stakeholders to ensure we can continually improve our operations. The Company has continued to develop its relations with investors and more details can be found on the Company website www.regionalreit.com. Further information on Shareholder and Stakeholder engagement can be found in the full Annual Report.

Board and Governance

Following an internal review of the Board's effectiveness, and as part of a drive to ensure an orderly refreshment of the Board with the development of the Group, on the 25 May 2022 the Nomination Committee appointed Massy Larizadeh as a non-executive Director of the Company. Massy also became a member of the Audit Committee, Nomination Committee and Management Engagement and Remuneration Committee. Massy has a particular interest in ESG issues and as such will be taking a lead role in the Company's ESG matters.

Outlook

Whilst we are acutely aware of the challenging backdrop, including labour shortages, inflationary pressures, tightening monetary policy and geopolitical uncertainties arising from the continued Ukrainian conflict, we remain confident of maintaining high rent collections and accelerating the momentum on the asset management initiatives for the remainder of 2023. The Board believes these actions will result in the continued de-risking of the portfolio, whilst continuing to deliver income and long-term total returns for our shareholders.

The UK region's economic activity continues to strengthen, and companies continue to require office space in our identified growth areas. Regional REIT remains well positioned to meet the challenges and take the opportunities that will inevitably arise in the coming years.

Kevin McGrath
Chairman

27 March 2023

Asset and Investment Managers' Report

"The macro-economic environment provided significant headwinds for REITs in 2022 being one of the most challenging years seen for the property sector in some time, as rising interest rates impacted valuations. The Company was not immune, with the portfolio value decreasing by 12.9% to £789.5m; and after adjusting for acquisitions, disposals and capital expenditure, reflected a decrease of 12.1% on like-for-like basis. In turn the loan to value amounted to 49.5%. Importantly, however, the Company has ample headroom on the covenants and the weighted average cost costs of debt remained fixed at 3.5%.

We are proud of our strong relationships with our tenants, which has led to another robust set of rent collections figures, totalling 98.7% for the twelve months ended 31 December 2022. The tenant base remains highly diverse both in terms of sector and geography.

Despite the challenging economic environment, the Company's net rental income increased by 12% year-on-year, to £62.6m, which is in part testament to our active asset management approach to identify value enhancing opportunities within the portfolio whilst regularly reviewing rents.

Our consistent quarterly dividend continues to provide our shareholders with a strong and reliable level of dividend income, yielding 11.3% on the share price as at 27 March 2023. The dividend is fully covered by EPRA earnings, which we hope provides shareholders with a high level of confidence in the sustainability of future dividend payments."

Stephen Inglis
CEO of London & Scottish Property Investment Management,
Asset Manager

Highlights from 2022

- **High level of rent collection**
Achieved a high level of rent collection. As at 17 March 2023, rent collection continued to strengthen, with FY 2022 collections increasing to 98.7%, adjusting for monthly rent and agreed collections plans, which is similar to the equivalent date for 2021 when 97.7% had been collected.
- **114 new lettings**
Completed 114 new lettings in 2022, totalling 330,173 sq. ft., which when fully income producing after incentives will provide a gross rental income of c. £5.9 million.
- **£74.7 million of acquisitions**
Acquisitions in 2022 totalled £74.7 million (before costs) for 6 assets, reflecting an average net initial yield of 8.4%.
- **£84.1 million of disposals**
Disposals during 2022 totalled £84.1 million (net of costs), reflecting an average net initial yield of 4.9% (6.3% excluding vacant properties).

- **Increase in average rent**

Average rent by let sq. ft. increased by 7.0% from £12.75 per sq. ft. in December 2021 to £13.65 per sq. ft. in December 2022. MSCI monthly data shows rental growth of 1.5% for rest of UK offices over the same period.

- **Decrease in capital value**

The like-for-like value of the portfolio decreased by 12.1% in 2022 after adjusting for capital expenditure, acquisitions and disposals during the period (11.0% excluding capital expenditure adjustment). MSCI monthly data shows capital value decline of 17.3% for rest of UK offices over the same period.

Investment Activity in the UK Commercial Property Market

Investment in the UK commercial property market reached £54.1 billion in 2022, according to research by Lambert Smith Hampton ("LSH")¹. Although this was 5.0% below the volumes recorded in 2021, it was 3.0% above the five-year average and 9.7% above pre-COVID-19 levels in 2019. Investment volumes fell in each quarter throughout 2022 when compared to the previous quarter. In the final quarter of 2022, overall investment fell by 40.7% to £7.3 billion, the lowest level recorded since Q2 2020. Investment in Q4 2022 marked a decline of 44.3% against the five-year quarterly average. However, it is worth noting that although investors were increasingly cautious in the second half of 2022, investment in Q1 2022 and Q2 2022 proved robust when compared to the five-year quarterly average, up 33.2% and 29.4%, respectively.

LSH research notes that investment was more resilient across UK regional markets, compared to London. Investment in UK regional markets held up well in 2022 relative to trend, with annual investment reaching £18.6 billion, 0.8% above the five-year average. Conversely, London volumes were down relative to trend, with 2022 volumes falling 7.1% below the five-year average at £18.7 billion. The largest increase in regional investment in 2022 relative to the five-year average occurred in the West Midlands, South East and North West.

Savills research highlights that regional office investment in the second half of 2022 was muted at £1.5 billion. This brought the total regional office investment in 2022, 26.9% below the five-year average². Savills anticipate that regional office investment will remain subdued in short-term. However, some research suggests that confidence is now building among overseas investors as capital values fall and the occupational market remains robust. Additionally, the most recent data from the ONS shows that the UK employment rate rose to 75.6% in the three months to December 2022, up from 75.5% for the same period in 2021³.

The Asset Manager's strong opinion is that the office will continue to play a vital role in working life regardless of whether hybrid or more traditional working practices are adopted. It is our opinion that many occupiers will require more office accommodation in future due to both employment growth and aiming to improve the working environment, including more space per staff member.

¹ Lambert Smith Hampton, UKIT Q4 2022

² Savills, Market in Minutes, Q4 2022

³ ONS, Labour Market Overview, UK - March 2023

Overseas investment in the UK property market accounted for just over half (50.1%) of total investment in 2022, according to data from LSH. LSH estimates that total overseas investment in 2022 reached £27.1 billion, 3.5% lower than 2021 volumes, but 4.2% above the five-year average and 7.9% higher than pre-pandemic levels. Overseas investment in Q4 2022 amounted to £2.9 billion, 52.0% below Q3 levels and 55.6% below the five-year quarterly average. Although overseas investment has dropped in recent months, international investors were net buyers in Q4 overall (£2.1 billion), with low disposals relative to trend, therefore highlighting that investor sentiment remains positive and that there is not a push to exit the UK. It is worth noting that a fall in investment was not witnessed for all investors, with investment volumes from North American investors increasing by 7.0% in Q4 2022.

Research from CBRE⁴ indicates that regional offices have outperformed in comparison to central London offices, delivering superior income returns of 5.1% in 2022 in comparison to central London office returns of 3.6% - a trend that has been witnessed over the past eight years.

⁴ CBRE Monthly Index, Q4 2022

Central London & Regional Office Income Returns (12 months to December 2022)

	Income Return						
	December 2016	December 2017	December 2018	December 2019	December 2020	December 2021	December 2022
Central London Offices	3.3%	3.7%	3.8%	3.8%	4.1%	3.6%	3.6%
Rest of UK Offices	6.2%	6.4%	5.9%	5.8%	5.9%	5.7%	5.1%

Source: CBRE (February 2023)

Occupational Demand in the UK Regional Office Market

Avision Young estimates that take-up of office space across nine regional office markets⁵ totalled 8.1 million sq. ft. in 2022.

Avison Young estimates that take-up of office space across nine regional office markets⁵ totalled 5.1 million sq. ft. in 2022, marginally below (0.3%) the level of take-up recorded in 2021 and 3.1% lower than the 5-year average. That said, it is worth noting that take-up in 2022 was 41.4% above the level reported in 2020. Take-up in the final quarter of 2022 was 18.2% above the five-year average at 2.5 million sq. ft., marking the highest quarterly take-up figure in 2022. Approximately 66.9% of take-up in Q4 2022 was transacted in city centres, with 33.1% transacted in the out of town market - both the city centre and out of town markets performed well relative to trend in Q4 2022. Avison Young highlights that occupiers have increasingly sought greater quality space to attract and retain talent.

Occupational demand was driven by the technology, media & telecoms sector, which accounted for the highest proportion of take-up at 19.2% in 2022. Following the technology, media & telecoms sector, the professional sector and the public services, education & health sector accounted for the second and third largest proportion of take-up in the regional cities, accounting for 17.8% and 14.0% respectively.

According to Savills, there was marginal decrease in availability for regional office stock across ten regional UK markets⁶, with total supply falling by 1.0% in 2022 to 14.4 million sq. ft.. The decrease in supply over the last 12 months has resulted in supply falling 2.2% below the 10-year average. This marks the first year that supply of office stock has decreased after increasing each year since 2019. However, it is worth noting that there was an increase in supply of prime space, which increased by 5.4% in 2022. Therefore, the fall in supply can be attributed to the secondary office supply, which decreased by 4.4% in 2022.

The overall vacancy rate for regional offices ticked upwards from 12.5% in 2021 to 12.6% in 2022 but remains in-line with the 10-year average⁷.

Furthermore, it is estimated that approximately 5.1 million sq. ft. of office space is currently under construction in the Big Nine regional markets, with Manchester, Bristol and Birmingham accounting for 22.1%, 19.6% and 14.8%, respectively. Approximately 33.0% of office buildings currently under construction are already pre-let.

⁵ Nine regional office markets mentioned by Avison Young include: Birmingham Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester & Newcastle.

⁶ Ten regional office markets mentioned by Savills include: Aberdeen, Birmingham Bristol, Cambridge, Cardiff, Edinburgh, Glasgow, Leeds, Manchester and Oxford.

⁷ Savills: The Regional Office Market Overview, Q4 2022.

The Asset Manager's opinion is that occupational market fundamentals remain robust despite the recent fall in capital values. Overall, there appears to be a disconnect between the investment market and the occupational market. The Asset Manager's view is that there will be hard work ahead throughout 2023, but that the market will be fundamentally steady, with no large declines nor large increases in activity. Additionally, the occupational market will continue to witness a rise in office occupancy as employees return to the office.

Rental Growth in the UK Regional Office Market

The CBRE Monthly Index shows that rental value growth held up better for the rest of UK office markets in the 12 months ended December 2022 with growth of 2.6%. Conversely, central London offices experienced a more modest level of growth during 2022 of 1.5%. According to MSCI, average rents in the regional office market (outside of London and the South East) increased by 1.5% in 2022. According to the monthly MSCI digest index, Rest of UK and Mid Town & West End offices recorded the strongest rental growth in December 2022. Demand for quality office space has put an upward pressure on prime rents, with growth of 6.5% recorded across the Big Nine regional markets in 2022, with average headline rents now sitting at £34.78 per sq. ft., according to research from Avison Young.

Regional REIT's Office Assets

EPRA occupancy of the Group's regional offices rose to 82.8% (2021: 80.8%). A like-for-like comparison of the Group's regional offices' EPRA occupancy, as at 31 December 2022 versus 31 December 2021, shows occupancy of 81.5% (2021: 84.0%). WAULT to first break was 2.7 years (2021: 2.6 years); like-for-like WAULT to first break of 2.7 years (2021: 2.7 years).

Property Portfolio

As at 31 December 2022, the Group's property portfolio was valued at £789.5 million (2021: £906.1 million), with rent roll of £71.8 million (2021: £72.1 million), and an EPRA occupancy of 83.4% (2021: 81.8%).

On a like-for-like basis, 31 December 2022 versus 31 December 2021, EPRA occupancy was 82.1% (2021: 84.5%).

There were 154 properties (2021: 168) in the portfolio, with 1,552 units (2021: 1,511) and 1,076 tenants (2021: 1,077). If the portfolio was fully occupied at Cushman & Wakefield's view of market rents, the rental income would be £92.0 million per annum as at 31 December 2022 (2021: £94.6 million).

As at 31 December 2022, the net initial yield on the portfolio was 6.0% (2021: 5.6%), the equivalent yield was 9.0% (2021: 8.7%) and the reversionary yield was 10.2% (2021: 9.4%).

Property Portfolio by Sector

Sector	Properties	Valuation (£m)	% by valuation	Sq. ft. (m)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capit rate (£ps)
Office	129	725.1	91.8	5.8	82.8	2.7	65.7	14.50	85.7	125.8
Retail	18	28.5	3.6	0.3	93.7	4.1	3.2	10.59	3.1	85.8
Industrial	4	24.6	3.1	0.4	85.2	5.9	1.9	5.27	2.2	58.6

Other	3	11.4	1.4	0.1	93.6	10.2	0.9	15.20	0.9	117.7
Total	154	789.5	100.0	6.6	83.4	3.0	71.8	13.65	92.0	119.3

Property Portfolio by Region

Region	Properties	Valuation (£m)	% by valuation	Sq. ft. (m)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capit rate (£ps)
Scotland	38	131.6	16.7	1.3	76.7	3.4	11.8	13.46	17.3	103.8
South East	27	153.1	19.4	1.0	76.5	2.6	12.2	16.23	16.9	148.5
North East	24	126.1	16.0	1.1	86.9	3.3	11.7	12.88	14.2	117.8
Midlands	26	159.1	20.2	1.4	90.3	3.2	15.4	13.13	18.7	113.2
North West	19	106.8	13.5	0.9	79.4	2.3	9.9	13.17	12.9	115.0
South West	14	73.1	9.3	0.5	92.3	2.0	7.0	16.44	7.9	154.2
Wales	6	39.6	5.0	0.4	91.3	4.3	3.8	10.23	4.0	91.0
Total	154	789.5	100.0	6.6	83.4	3.0	71.8	13.65	92.0	119.3

* Tables may not sum due to rounding

Top 15 Investments (market value) as at 31 December 2022

Property	Sector	Anchor tenants	Market value (£m)	% of portfolio	Lettable area (sq ft)	O
300 Bath Street, Glasgow	Office	University of Glasgow, Glasgow Tay House Centre Ltd, Fairhurst Group LLP, London & Scottish Property Investment Management	23.6	3.0	156,853	
Buildings 2 & 3, Bear Brook Office Park, Aylesbury	Office	Utmost Life and Pensions Ltd, Agria Pet Insurance Ltd, International Fire Consultants Ltd	20.9	2.6	140,791	
Hampshire Corporate Park, Eastleigh	Office	Aviva Central Services UK Ltd, Lloyd's Register EMEA, Complete Fertility Ltd, National Westminster Bank Plc	19.5	2.5	84,043	
Eagle Court, Coventry Road, Birmingham	Office	Virgin Media Ltd, Rexel UK Ltd, Coleshill Retail Ltd	19.4	2.5	132,979	
Beeston Business Park, Nottingham	Office	Metropolitan Housing Trust Ltd, SMS Electronics Ltd, Heart Internet Ltd	17.2	2.2	215,330	
800 Aztec West, Bristol	Office	NNB Generation Company (HPC) Ltd, Edvance SAS	16.5	2.1	73,292	
Orbis 1, 2 & 3, Pride Park, Derby	Office	First Source Solutions UK Ltd, DHU Health Care C.I.C., Tentamus Pharma (UK) Ltd	16.5	2.1	121,883	
Norfolk House, Smallbrook Queensway, Birmingham	Office	Global Banking School Ltd, Accenture (UK) Ltd, HP Asia Ltd	15.6	2.0	115,780	
Linford Wood Business Park, Milton Keynes	Office	IMServ Europe Ltd, Market Force Information (Europe) Ltd, Autotech Recruit Ltd	15.1	1.9	107,352	
Manchester Green, Manchester	Office	Chiesi Ltd, Ingredion UK Ltd, Assetz SME Capital Ltd, Contemporary Travel Solutions Ltd	14.7	1.9	107,760	
Capitol Park, Leeds	Office	Hermes Parcelnet Ltd, NHS Shared Business Services Ltd, BDW Trading Ltd	14.0	1.8	98,340	
Portland Street, Manchester	Office	Evolution Money Group Ltd, Mott MacDonald Ltd, NCG (Manchester) Ltd, Simard Ltd	13.1	1.7	55,787	
Ashby Park, Ashby De La Zouch	Office	Ceva Logistics Ltd, Brush Electrical Machines Ltd, Ashfield Healthcare Ltd	12.7	1.6	91,034	
Templeton On The Green, Glasgow	Office	The Scottish Ministers, The Scottish Sports Council, Noah Beers Ltd, The Wise Group	12.1	1.5	142,520	
The Lighthouse - Salford Quays, Manchester	Office	Pearson Education Ltd, EQUANS Regeneration Ltd	11.8	1.5	64,275	
Total			242.7	30.7	1,708,019	

* Tables may not sum due to rounding

Top 15 Tenants (share of rental income) as at 31 December 2022

Tenant	Property	Sector
Virgin Media Ltd	Eagle Court, Coventry Road, Birmingham	Information and communication
TUI Northern Europe Ltd	Southgate Park, Peterborough	Professional, scientific and technical activities
	Columbus House, Coventry	

NHS	Aspect House, Bennerley Road, Nottingham Capitol Park, Leeds Equinox North, Almondsbury, Bristol Park House, Bristol St James Court, Bristol Wren House, Chelmsford	Public sector
Secretary of State for Communities & Local Government	1 Budge Square, Merchant Square, Wakefield	Public sector
EDF Energy Ltd	Albert Edward House, Preston Bennett House, Stoke-On-Trent Norfolk House, Birmingham Oakland House, Manchester Waterside Business Park, Swansea Endeavour House, Sunderland	Electricity, gas, steam and air conditioning supply
First Source Solutions UK Ltd	Orbis 1, 2 & 3, Pride Park, Derby	Administrative and support service activities
E.ON UK Plc	Two Newstead Court, Nottingham	Electricity, gas, steam and air conditioning supply
John Menzies Plc	2 Lochside Avenue, Edinburgh	Professional, scientific and technical activities
NNB Generation Company (HPC) Ltd	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply
Global Banking School Limited	Norfolk House, Smallbrook Queensway, Birmingham	Education
SPD Development Co Ltd	Clearblue Innovation Centre, Bedford	Professional, scientific and technical activities
Aviva Central Services UK Ltd	Hampshire Corporate Park, Eastleigh	Other service activities
Odeon Cinemas Ltd	Kingscourt Leisure Complex, Dundee	Information and communication
SpaMedica Limited	1175 Thorpe Park, Leeds Albert Edward House, Preston Ill Acre, Princeton Drive, Stockton On Tees Fairfax House, Wolverhampton Southgate Park, Peterborough The Foundation Chester Business Park, Chester	Human health and social work activities
Edvance SAS	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply
Total		

*Tables may not sum due to rounding.

Property Portfolio Sector and Region Splits by Valuation and Income

By Valuation

As at 31 December 2022, 91.8% (2021: 89.8%) of the portfolio by market value was offices and 3.6% (2021: 3.7%) was retail. The balance was made up of industrial, 3.1% (2021: 5.1%) and other, 1.4% (2021: 1.4%). By UK region, as at 31 December 2022, Scotland represented 16.7% (2021: 19.0%) of the portfolio and England 78.3% (2021: 75.7%); the balance of 5.0% (2021: 5.3%) was in Wales. In England, the largest regions were the Midlands, the South East and the North East.

By Income

As at 31 December 2022, 91.5% (2021: 88.6%) of the portfolio by income was offices and 4.5% (2021: 5.4%) was retail. The balance was made up of industrial, 2.6% (2021: 4.5%), and other, 1.3% (2021: 1.4%). By UK region, as at 31 December 2022, Scotland represented 16.5% (2021: 21.6%) of the portfolio and England 78.2% (2021: 72.4%); the balance of 5.3% was in Wales (2021: 6.0%). In England, the largest regions were the Midlands, the South East and the North East.

Lease Expiry Profile

The WAULT on the portfolio is 4.7 years (2021: 4.8 years); WAULT to first break is 3.0 years (2021: 3.0 years). As at 31 December 2022, 14.5% (2021: 11.5%) of income was from leases, which will expire within one year, 14.0% (2021: 13.8%) between one and two years, 29.5% (2021: 31.9%) between two and five years and 42.0% (2021: 42.8%) after five years.

Lease Expiry Income Profile	% of rent
0-1 years	14.5%
1-2 years	14.0%
2-5 years	29.5%
5+ years	42.0%
Total	100.0%

Source: LSPIM

Tenants by Standard Industrial Classification as at 31 December 2022

As at 31 December 2022, 14.2% of income was from tenants in the professional, scientific and technical activities sector (2021: 14.5%), 12.2% from the information and communication activities sector (2021: 11.4%), 11.3% from the administrative and support service activities sector (2021: 9.5%), 9.4% from the financial and insurance sector (2021: 10.9%) and 8.3% from the wholesale and retail trade (2021: 9.6%). The remaining exposure is broadly spread.

No tenant represents more than 2.5% of the Group's rent roll as at 31 December 2022, the largest being 2.4% (2021: 2.5%).

Financial Review

Net Asset Value

In the year ended 31 December 2022, the EPRA NTA* of the Group decreased to £379.2 million (IFRS NAV: £402.9 million) from £501.4 million (IFRS NAV: £502.4 million) as at 31 December 2021, equating to a decrease in the diluted EPRA NTA of 23.7pps to 73.5pps (IFRS: 78.1pps). This is after the dividends declared in the year amounting to 6.65pps.

The EPRA NTA decrease of £122.2 million since 31 December 2021 was predominately from £113.2 million decrease in the revaluation of the property portfolio held as at 31 December 2022, and a £8.6 million realised loss on the disposal of properties.

The investment property portfolio valuation as at 31 December 2022 amounted to £789.5 million (2021: £906.1 million). The decrease of £116.7 million since the December 2021 year end is a reflection of £84.1 million of net property disposals, loss on the disposal of properties of £8.6 million and £113.2 million of property revaluation, offset by property acquisitions and subsequent expenditure of £89.3 million. Overall, on a like-for-like basis, the portfolio value decreased by 12.1% during the year.

The table below sets out the acquisitions, disposals and capital expenditure for the respective periods:

	Year ended 31 December 2022 (£m)	Year ended 31 December 2021 (£m)
Acquisitions		
Net (after costs)	79.3	251.4
Gross (before costs)	74.7	236.0
Disposals		
Net (after costs)	84.1	76.9
Gross (before costs)	90.0	79.6
Capital Expenditure		
Net (after dilapidations)	10.0	6.8
Gross (before dilapidations)	10.9	7.2

* Further details of the new EPRA performance measures can be found in the full Annual Report.

The EPRA NTA per share decreased to 73.5pps (2021: 97.2pps). The EPRA NTA is reconciled in the table below:

	£m	Pence per Share
Opening EPRA NTA (31 December 2021)	501.4	97.2
Net rental and property income	62.6	12.1
Administration and other expenses	(11.4)	(2.2)
Loss on the disposal of investment properties	(8.6)	(1.6)
Change in the fair value of investment properties	(113.2)	(22.0)
Change in value of right of use	(0.1)	(0.0)
EPRA NTA after operating profit	430.6	83.5
Net finance expense	(17.2)	(3.3)
Taxation	0.0	0.0
EPRA NTA before dividends paid	413.5	80.2
Dividends paid*	(34.3)	(6.7)
Closing EPRA NTA (31 December 2022)	379.2	73.5

Table may not sum due to rounding

*As at 31 December 2022, the total number of Shares in issue to 515,736,583.

Income Statement

Operating profit before gains and losses on property assets and other investments for the year ended 31 December 2022 amounted to £51.2 million (2021: £45.2 million). Loss after finance and before taxation of £65.2 million (2021: gain £28.8 million). 2022 included the rent roll for properties held from the 31 December 2021, plus the partial rent roll for properties disposed or acquired during the year.

Rental and property income amounted to £76.3 million, excluding recoverable service charge income and other similar items (2021: £65.8 million). The increase was primarily the result of the increase in the rent roll being held during the year to 31 December 2022.

Currently more than 80% of the rental income is collected within 30 days of the due date and bad debts in the year amounted to a release of £0.4 million (2021: charge of £0.6 million).

Non-recoverable property costs, excluding recoverable service charge income and other similar costs, amounted to £13.7 million (2021: £9.9 million), and the rent roll amounted to £71.8 million (2021: £72.1 million).

Realised loss on the disposal of investment properties amounted to £8.6 million (2021: gain £0.7 million). The loss on the disposals were from the aggregate disposal of 20 properties in the period, on which individual asset management plans had been completed and/or were of sub-optimal asset size. The change in the fair value of investment properties amounted to a loss of £113.2 million (2021: loss of £8.3 million). Net capital expenditure amounted to £10.0 million (2021: £6.8 million). The gain on the disposal of the right of use asset amounted to £0.1 million (2021: £0.2 million). The change in value of right of use asset amounted to a charge of £0.2 million (2021: charge £0.2 million)

Interest income amounted to £0.1 million (2021: £0.0 million).

Finance expenses amount to £17.3 million (2021: £14.9 million). The increase is due to a full year of finance expense being incurred on £76.2 million borrowings drawn down 27 August 2021 from the Royal Bank of Scotland, Bank of Scotland, and Barclays to finance the enlarged portfolio.

The EPRA* cost ratio, including direct vacancy costs, was 32.8% (2021: 31.2%). The EPRA cost ratio, excluding direct vacancy costs was 16.2% (2021: 16.8%). The ongoing charges for the year ending 31 December 2022 were 5.3% (2021: 4.6%) and 2.6% excluding void costs (2021: 2.5%).

The EPRA Total Return from Listing to 31 December 2022 was 24.2% (2021: 41.2%), with an annualised rate of 3.1% pa (2021: 5.8% pa).

*Alternative Performance Measures. Details are provided in the Glossary of and the EPRA Performance measures in the full Annual Report.

Dividend

In relation to the year from 1 January 2022 to 31 December 2022, the Company declared dividends totalling 6.60pps (2021: 6.50pps). Since the end of the year, the Company has declared a dividend for the fourth quarter of 2022 of 1.65pps. A schedule of dividends can be found in the full Annual Report.

Debt Financing and Gearing

Borrowings comprise third-party bank debt and the retail eligible bond. The bank debt is secured over properties owned by the Group and repayable over the next three to seven years. The weighted average maturity of the bank debt and retail eligible bond is 4.5 years (2021: 5.5 years).

The Group's borrowing facilities are with the Santander UK, Scottish Widows Ltd., Scottish Widows Ltd. & Aviva Investors Real Estate Finance, Royal Bank of Scotland, Bank of Scotland and Barclays. The total bank borrowing facilities at 31 December 2022 amounted to £390.8 million (2021: £389.9 million) (before unamortised debt issuance costs), with £4.1 million available to be drawn. In addition to the bank borrowings, the Group has a £50 million 4.5% retail eligible bond, which is due for repayment in August 2024. In aggregate, the total debt available at 31 December 2022 amounted to £444.9 million (2021: £444.9 million).

At 31 December 2022, the Group's cash and cash equivalent balances amounted to £50.1 million (2021: £56.1 million), of which £37.8 million (2021: £49.9 million) was unrestricted cash.

The Group's net loan to value ("LTV") ratio stands at 49.5% (2021: 42.4%) before unamortised costs. The Board continues to target a net LTV ratio of 40%, with a targeted maximum limit of 50%.

Debt Profile and LTV Ratios as at 31 December 2022

Lender	Original facility	Outstanding debt*	Maturity date	Gross loan to value**	Annual interest rate	
	£'000	£'000		%	%	
Royal Bank of	128,000	125,676	Aug-26	50.8	2.40	over 3mth £

Scotland, Bank of Scotland & Barclays						SONIA
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	165,000	165,000	Dec-27	52.0	3.28	Fixed
Scottish Widows Ltd.	36,000	36,000	Dec-28	42.2	3.37	Fixed
Santander UK	65,870	64,116	Jun-29	44.9	2.20	over 3mth £ to SONIA
	<hr/> <hr/>					
	394,870	390,792				
Retail eligible bond	50,000	50,000	Aug-24	NA	4.50	Fixed
	<hr/> <hr/>					
	444,870	440,792				

* Before unamortised debt issue costs

** Based on Cushman and Wakefield property valuations

Table may not sum due to rounding

The Managers continue to monitor the borrowing requirements of the Group. As at 31 December 2022, the Group had sufficient headroom against its borrowing covenants.

The net gearing ratio (net debt to Ordinary Shareholders' equity (diluted)) of the Group was 96.9% as at 31 December 2022 (2021: 76.4%).

Interest cover, excluding amortised costs, stands at 3.4 times (2021: 3.5 times) and including amortised costs, stands at 3.0 times (2021: 3.0 times).

Hedging

The Group applies an interest hedging strategy that is aligned to the property management strategy and aims to mitigate interest rate volatility on at least 90% of the debt exposure.

	31 December 2022	31 December 2021
	%	%
Borrowings interest rate hedged	100.9	101.3
Thereof:		
Fixed	56.9	57.1
Swap	27.8	24.1
Cap	16.2	20.0
WACD ¹	3.5	3.3

¹ WACD - Weighted Average Effective Interest Rate including the cost of hedging.

Table may not sum due to rounding

The over-hedged position has arisen due to the entire Royal Bank of Scotland, Bank of Scotland & Barclays and Santander UK facilities, including any undrawn balances, being hedged by interest rate cap derivatives which have no ongoing cost to the Group.

Tax

The Group entered the UK REIT regime on 7 November 2015 and all of the Group's UK property rental operations became exempt from UK corporation tax from that date. The exemption remains subject to the Group's continuing compliance with the UK REIT rules.

On 9 January 2018, the Company registered for VAT purposes in England.

During 2022, the Group recognised a tax credit of £5,570 (2021: tax charge of £15,948), which comprised tax provisions for the year offset by releases of tax previously provided for in prior years which are now concluded and not payable.

Principal Risks and Uncertainties

Effective risk management underpins the execution of Regional REIT's strategy, the positioning of the business for growth and maintaining the regular income over a long-term sustainable horizon.

Risk Framework and Approach

The Board has overall responsibility for the Company's system of risk management and internal controls. The Board recognises the importance of identifying and actively monitoring its risks, which include, but are not limited to:

strategic, valuation, COVID-19, economic and political, funding, tenant, financial and tax charges, operational, regulatory, and environmental risks. Over the long term, the business will face other challenges and emerging threats for which it remains vigilant.

The Board is supported by the Audit Committee in the management of risk. The Audit Committee is responsible for determining the principal risks facing the business and reviewing, at least annually, the effectiveness of the Company's financial control, risk management and internal control processes.

However, the Board also views the potential risks as opportunities which, when handled appropriately, can drive performance. Thus, having an effective risk management process is key to support the delivery of the Group's strategy.

Approach to Managing Risk - Identification, Evaluation and Mitigation

The risk management process is focussed upon being risk aware and is designed to identify, evaluate, manage and mitigate, rather than eliminate, risks faced. The Company maintains a detailed and formal matrix of current principal risks, which uses risk scoring to evaluate risks consistently. This allows the risks to be monitored and mitigated as part of a risk management process with the Audit Committee undertaking, at a minimum on a six-monthly basis or more frequently if required, a robust evaluation of these risks facing the Group.

Risks are identified and weighted according to their potential impact on the Company and to their likelihood of occurrence. The Audit Committee uses the risk matrix to prioritise individual risks, allocating scores to each risk for both the likelihood of its occurrence and the severity of its impact. Those with the highest gross rating in terms of impact are highlighted as top risks within the matrix and are defined as principal risks.

While the Board believes that it has a robust framework of internal controls in place, this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

Risk Appetite

The Board is responsible for defining the level of risk that the Company assumes and ensuring that it remains in-line with the Company's strategy. Risk appetite is integral to the Board's approach to risk management, business planning and decision making. The level and type of risk that the Company is willing to bear will vary over time.

The Board, in conjunction with the Asset Manager and Investment Manager, and with the latest information available, regularly reviews the risk appetite of the Company allowing a prompt response to identified emerging risks.

Changes to the Principal Risks

During Q1 2022, the devolved Governments' reactions to Covid-19 continued to impact economic activity in the respective countries. However, with the reduction in Covid-19 transmission and the subsequent lifting of restrictions, economic activity increased resulting in a downgrade of the respective risk.

The war in Ukraine has increased geopolitical tensions resulting in volatility in commodity prices, particularly energy related commodities, interrupted supply chains, and exacerbated inflationary pressures, all of which has increased economic headwinds.

Emerging Risks

The Board is cognisant of emerging risks defined as potential trends, sudden events or changing risks, which are characterised by a high degree of uncertainty in terms of probability of occurrence and possible effects on the Company. Once emerging risks become sufficiently clear, they may be classed as a principal risk and added to the risk matrix.

To help manage emerging risks and discuss other wider matters affecting property, the Board has an annual strategy meeting. The Board considers having a clear strategy is the key to managing and mitigating emerging risk.

The Company's principal risks consist of the ten most significant risks which are composed of eight strategic and two operational risks. The strategic risks relate to investment strategy, valuation, COVID-19, economics and political, funding, tenant, financial and tax changes, and environmental and energy efficiency standards; operational risk encompasses business disruption, and accounting, legal and regulatory.

The below list, in no particular order, sets out the current identifiable principal and emerging risks, including their impact and the actions taken by the Company to mitigate them. It does not purport to be an exhaustive list of all the risks faced by the Group.

Principal Risk Summary

Principal Risk	Evolution of the trend during the year
1. Strategic	↔
2. Valuation	↗
3. COVID-19	↓
4. Economic and political	↔
5. Funding	↗
6. Tenant	↔
7. Financial and tax changes	↔
8. Operational	↔
9. Accounting, legal and regulatory	↗
10. Environmental and energy efficiency standards	↗

1. Strategic

Potential Impact	Mitigation	Movement in the period ⇄
An inappropriate investment strategy, and/or failure to implement the strategy could result in lower income and capital returns to Shareholders.	<ul style="list-style-type: none"> A clearly defined investment strategy, which is reviewed annually. A defined and rigorous investment appraisal process. Acquire portfolios, which offer Shareholders diversification of investment risk by investing in a range of geographical areas and number of properties. Supply and demand market information is reviewed continuously to assist in acquisitions and disposals. All the above steps are monitored to ensure the strategy is implemented. 	<ul style="list-style-type: none"> The property portfolio remains balanced across a range of geographical areas and a large number of investment properties.
	<ul style="list-style-type: none"> Predominately, acquiring office properties in the UK and outside of the M25 motorway. However, the Group may invest in property portfolios in which up to 50% of the properties (by market value) are situated within the M25 motorway. 	<ul style="list-style-type: none"> The Group continues to purchase properties in the UK outside the M25 motorway.
	<ul style="list-style-type: none"> No single property, in the ordinary course of business, is expected to exceed 10% of the Group's aggregate Investment Properties valuation. However, the Board may, in exceptional circumstances, consider a property having a value of up to 20% of the Group's investment property value at the time of investment. 	<ul style="list-style-type: none"> 300 Bath Street (2021: 300 Bath Street) is the highest valued property, which equates to 3.0% (2021: 3.0%) of the Group's investment properties.
	<ul style="list-style-type: none"> No more than 20% of the Group's investment property value shall be exposed to any single tenant or group undertaking of that tenant. 	<ul style="list-style-type: none"> The Group's largest single tenant exposure is 2.4% (2021: 2.5%) of gross rental income, being Virgin Media Ltd (2021: Virgin Media Ltd.).
	<ul style="list-style-type: none"> Speculative development (i.e., properties under construction, but excluding any refurbishment works, which have not been pre-let) is prohibited. 	<ul style="list-style-type: none"> No speculative construction was undertaken during the year under review.
	<ul style="list-style-type: none"> The value of the properties is protected as far as possible by an active asset management programme, which is regularly reviewed against the business plan for each property. 	<ul style="list-style-type: none"> The Asset Manager continues to actively manage the investment properties in accordance with market conditions and the individual asset programme.

2. Valuation

Potential Impact	Mitigation	Movement in the period ↗
The valuation of the Group's portfolio affects its profitability and net assets.	<ul style="list-style-type: none"> The Company's external valuer, Cushman & Wakefield, provide independent valuations for all properties on a six-monthly basis in accordance with the RICS Red Book. The Audit Committee has the opportunity to discuss the basis of the valuations with the external valuer. The Audit Committee membership includes an experienced chartered surveyor. The Asset Manager's experience and extensive knowledge of the property market. The Asset Manager is able to challenge the external valuers' findings. The Company's Auditor engages an independent third party to evaluate the Cushman & Wakefield valuation. 	<ul style="list-style-type: none"> Cushman & Wakefield independently provides the valuation for the entire portfolio, valuing each individual asset.

3. COVID-19

Potential Impact	Mitigation	Movement in the period ↓
The economic disruption resulting from COVID-19 and other social health issues could continue to impact rental income; the ability of Valuers to discern valuations; the ability to access funding at competitive rates, adherence to banking covenants, maintain a progressive dividend policy, and adhere to the HMRC REIT regime requirements.	<ul style="list-style-type: none"> The Asset Manager continues to adapt and, as required, to support tenants. The property portfolio has been deliberately constituted to ensure a diverse range of tenants by standard industrial classification; which ensured the many tenants, being designated as essential services, continued to operate throughout the COVID-19 pandemic. Close relationships with lenders ensuring continued dialogue around covenants and ability to access funding as required at competitive rates. Initial vetting of all third-party providers with annual due diligence reviews, including the review of business continuity capabilities to minimise when remote working has been necessitated. 	<ul style="list-style-type: none"> The Group has continued to scrutinise all current risk mitigation approaches employed and to work closely with all parties.

4. Economic and Political

Potential Impact	Mitigation	Movement in the period ⇄
Significant political events could impact the health of the UK economy, resulting in borrowing constraints, changes in demand by tenants for suitable properties, the quality	<ul style="list-style-type: none"> The Group operates with a sole focus on the UK regions, with no foreign currency exchange exposure. It remains well positioned with a deliberately diverse standard industry classification of tenants generating 1,076 (2021: 1,077) income streams which are located in areas of expected economic growth. The Board receives advice on macro-economic risks, including Brexit, from the Investment Manager and other advisers and acts accordingly. 	<ul style="list-style-type: none"> There remains a risk that property valuations and the occupancy market may be impacted by change in the political landscape.

of the tenants, and ultimately the property portfolio value.	
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5. Funding

Potential Impact	Mitigation	Movement in the period ↗
The Group may not be able to secure further debt or on acceptable terms, which may impinge upon investment opportunities and the ability to grow the Group.	<ul style="list-style-type: none"> The Asset Manager has a Corporate Finance team dedicated to optimising the Group's funding requirements. Funding options are constantly reviewed with an emphasis on reducing the weighted average cost of capital and lengthening the weighted average debt to maturity. Borrowings are currently provided by a range of institutions with targeted staggered maturities. Strong relationships with key long-term lenders. Continual monitoring of LTV. 	<ul style="list-style-type: none"> Weighted average debt term decreased to 4.5 years from 5.5 years in 2021. Weighted average cost of capital, including hedging costs was 3.5% (2021: 3.3%). LTV increased to 49.5% from 42.4% as at 31 December 2021.
Bank reference interest rates may be set to become more volatile, accompanying volatile inflation	<ul style="list-style-type: none"> Policy of hedging at least 90% of variable interest rate borrowings. Fixed, swapped and capped borrowing amounted to 100.9% (2021:101.3%) Borrowings are currently provided by a range of institutions with targeted staggered maturities. 	<ul style="list-style-type: none"> Continued adherence to the hedging policy.
Breach of covenants within the Group's funding structure could lead to a cancellation of debt funding if the Company is unable to service the debt.	<ul style="list-style-type: none"> The Asset Manager's corporate finance team reviews the applicable covenants on a regular basis and these are considered in future operational decisions. Compliance certificates and requested reports are prepared as scheduled. 	<ul style="list-style-type: none"> The Group continues to have sufficient headroom against the applicable borrowing covenants.

6. Tenant

Potential Impact	Mitigation	Movement in the period ↔
Type of tenant and concentration of tenant could result in lower income from reduced lettings or defaults.	<ul style="list-style-type: none"> An active asset management programme with a focus on the Asset Manager working with individual tenants to assess any occupational issues and to manage any potential bad debts. Diversified portfolio of properties let, where possible, to a large number of low-risk tenants across a wide range of standard industrial classifications throughout the UK. Potential acquisitions are reviewed for tenant overlap and potential disposals are similarly reviewed for tenant standard industrial classification concentration. 	<ul style="list-style-type: none"> This risk remains stable in view of the increasing diversification of properties, tenants and geographies in the portfolio. The tenant mix and their underlying activity has continued to increasingly diversify, with the number of tenants amounting to 1,076 at the year-end (2021: 1,077).
A high concentration of lease term maturity and/or break options could result in a more volatile contracted rent roll.	<ul style="list-style-type: none"> The portfolio lease and maturity concentrations are monitored by the experienced Asset Manager to minimise concentration. There is a focus on securing early renewals and increased lease periods. The requirement for suitable tenants and the quality of the tenant is managed by the experienced Asset Manager which maintains close relationships with current tenants and with letting agents. 	<ul style="list-style-type: none"> The WAULT to first break as at 31 December 2022 was 3.0 years (2021: 3.0 years) The largest tenant is 2.4% (2021: 2.5%) of the gross rental income, being Virgin Media Limited. The Asset Management team remains vigilant to the financial well-being of our current tenants and continues to liaise with tenants and agents.

7. Financial and Tax Changes

Potential Impact	Mitigation	Movement in the period ↔
Changes to the UK REIT and non-REIT regimes tax and financial legislation.	<ul style="list-style-type: none"> The Board receives advice on these changes where appropriate and will act accordingly. 	<ul style="list-style-type: none"> Advice is received from several corporate advisers, including tax adviser Grant Thornton UK LLP and the Group adapts to changes as required.

8. Operational

Potential Impact	Mitigation	Movement in the period ↔
Business disruption could impinge on the normal operations of the Group.	<ul style="list-style-type: none"> The Asset and Investment Managers each have contingency plans in place to ensure there are no disruptions to the core infrastructure which would impinge on the normal operations of the Group. 	<ul style="list-style-type: none"> Both the Asset and Investment Managers annually review their Disaster and Business Continuity Plans.

	<ul style="list-style-type: none"> An annual due diligence exercise is carried out on all principal third-party service providers. 	<ul style="list-style-type: none"> The annual due diligence visits were undertaken with the Company's principle third-party service providers. No concerns were identified from the visits.
	<ul style="list-style-type: none"> As an externally managed investment company, there is a continued reliance on the Asset and Investment Managers and other third-party service providers. 	<ul style="list-style-type: none"> Both the Asset and Investment Manager are viable going concerns.
	<ul style="list-style-type: none"> All acquisitions undergo a rigorous due diligence process and all multi-let properties undergo an annual comprehensive fire risk. The impact of physical damage and destruction to investment properties is mitigated by ensuring all are covered by a comprehensive building, loss of rent and service charge plus terrorism insurance with the exception of a small number of "self-insure" arrangements covered under leases. 	<ul style="list-style-type: none"> The Asset Manager continues to monitor changes in Health and Safety regulations, including, where required, COVID-19 social distancing measures. The Asset Manager reviews the adequacy of insurance cover on an ongoing basis.
Information security and cyber threat resulting in data loss, or negative regulatory, reputational, operational (including GDPR), or financial impact.	<ul style="list-style-type: none"> The Asset and Investment Manager each has a dedicated Information Technology team which monitors information security, privacy risk and cyber threats ensuring their respective operations are not interrupted. As required the building management systems are reviewed for cyber security risk. 	<ul style="list-style-type: none"> The Managers review the respective Information Technology policies and the material third party service suppliers on as required basis to ensure they reflect current and possible future threats.

9. Accounting, Legal, and Regulatory

Potential Impact	Mitigation	Movement in the period ↗
Changes to accounting, legal and/or regulatory legislation, including sanctions could result in changes to current operating processes.	<ul style="list-style-type: none"> Robust processes are in place to ensure adherence to accounting, legal and regulatory requirements, including sanctions and Listing Rules. All contracts are reviewed by the Group's legal advisers. The Administrator, in its capacity as Group Accountant, and the Company Secretary attend all Board meetings in order to be aware of all announcements that need to be made. All compliance issues are raised with the Financial Adviser. 	<ul style="list-style-type: none"> The Group continues to receive advice from its corporate advisers and has incorporated changes where required. The Administrator and Company Secretary continue to attend all Board meetings and advise on Listing Rule requirements in conjunction with the Corporate Broker and Financial Adviser.
Loss of REIT status	<ul style="list-style-type: none"> The HMRC REIT regime requirements are monitored by the Asset and Investment Manager, and external advisors including the Company's tax adviser Grant Thornton UK LLP and its sub-administrator Link Alternative Fund Administrators Limited. 	<ul style="list-style-type: none"> The Group continues to receive advice from external advisers on any anticipated future changes to the REIT regime.

10. Environmental and Energy Efficiency Standards

Potential Impact	Mitigation	Movement in the period ↗
The Group's cost base could be impacted, and management time diverted, due to climate changes and associated legislation.	<ul style="list-style-type: none"> The Board receives regular updates on environmental, social, governance and potential legislation changes from its advisers. The Group has engaged an environmental consultancy to assist with achieving and improving the Global Real Industry Sustainability Benchmark (GRESB). 	<ul style="list-style-type: none"> Additional attention is currently being devoted to this area to ensure the appropriate approach is applied and embedded in Group activities.
Changes to the environment could impact upon the operations of the Group.	<ul style="list-style-type: none"> Property acquisitions undergo a rigorous due diligence process, including an environmental assessment. The Asset Manager monitors the portfolio for any detrimental environmental impact, by way of frequent inspections of the properties, and the annual insurance review process. 	<ul style="list-style-type: none"> The rigour of the environmental assessments process continues to be reviewed with the aim of enhancing it.
An Energy Performance Rating of E and below may impact the Group's ability to sell or lease an asset.	<ul style="list-style-type: none"> The Group continues to review each property to ensure adherence with Energy Performance Rating requirements. The energy efficiency of investment acquisitions is fully considered as part of the due diligence process for the acquisition of a property. 	<ul style="list-style-type: none"> The Asset Manager is continually reviewing the feasibility of enhancing Energy Performance Ratings to exceed the minimum requirement.

Changes to the Principal Risks and Uncertainties

The Board, via the Audit Committee, has reviewed and agreed the movement during the year to each of the identified principal risks and uncertainties following review of these risks, having considered the characteristics of these and the economic and geopolitical factors. The potential impact of these risks to the Company's future strategy is considered on an ongoing basis.

Extract of the Report of the Directors

Share Capital

Share Capital

As at 31 December 2022, the Company's total issued share capital was 515,736,583 Ordinary Shares (2021: 515,736,583).

All of the Company's Ordinary Shares are listed on the premium segment of the London Stock Exchange and each Ordinary Share carries one vote.

There is only one class of Ordinary Shares in issue for the Company, in adherence to the REIT requirements. The only other shares the Company may issue are particular types of non-voting restricted preference shares, of which none (2021: none) are currently in issue.

At the AGM held on 25 May 2022, the Directors were granted authority to allot Ordinary Shares on a non-pre-emptive basis for cash up to a maximum number of 25,786,829 Shares (being 5% of the issued Share capital on 20 April 2022). The Directors were also granted the authority to disapply pre-emption rights in respect of the allotment of Ordinary Shares up to a maximum number of 25,786,829 Shares (being 5% of the issued Share capital on 20 April 2022) where the allotment of such Shares is for the sole purpose of financing an acquisition or other capital investment as defined by the Pre-Emption Group's Statement of Principles.

No Shares were issued under these authorities during the year under review, and the authorities will expire at the Company's 2023 AGM where resolutions for their renewal will be sought, or, if sooner, on 25 August 2023.

At the AGM held on 25 May 2022, the Company was authorised to purchase up to a maximum of 51,573,658 of its own Ordinary Shares (being 10% of the Company's issued Share capital on 20 April 2022).

No Shares have been purchased under this authority during the year under review, which will expire at the Company's 2023 AGM where a resolution for its renewal will be sought, or, if sooner, on 25 August 2023.

Restrictions on Voting Rights

The Company does not have any restrictions on Shareholder voting rights.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group Financial Statements in accordance with applicable law and regulations.

Guernsey company law requires the directors to prepare financial statements for each financial year. The Directors are required under the Listing Rules of the Financial Conduct Authority to prepare the group financial statements in accordance with UK-adopted International Accounting Standards.

The financial statements of the Group are required by law to give a true and fair view of the state of the Group's affairs at the end of the financial period and of the profit or loss of the Group for that period and are required by UK-adopted International Accounting Standards to present fairly the financial position and performance of the Group.

In preparing each of the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions; disclose with reasonable accuracy at any time the financial position of the Group; enable them to ensure that the financial statements comply with the requirements of The Companies (Guernsey) Law 2008 and, as regards the Group financial statements, the UK-adopted International Accounting Standards. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Regional REIT's website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE CONSOLIDATED ANNUAL REPORT

Each of the Directors, whose names and functions are listed within the full Annual Report and Accounts, confirms that to the best of each person's knowledge:

- the financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic Report, including the Asset and Investment Managers' Report, includes a fair review of the development and performance of the business and the position of the Group and the undertakings included

in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and

- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 27 March 2023 and signed on its behalf by:

Kevin McGrath
Chairman
27 March 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Continuing Operations			
Revenue			
Rental and property income	5	93,318	79,899
Property costs	6	(30,672)	(24,075)
Net rental and property income		62,646	55,824
Administrative and other expenses	7	(11,421)	(10,583)
Operating profit before gains and losses on property assets and other investments		51,225	45,241
(Loss)/gain on disposal of investment properties	14	(8,636)	679
Change in fair value of investment properties	14	(113,233)	(8,296)
Gain on the disposal of right of use assets	25	76	167
Change in fair value of right of use assets	25	(185)	(206)
Operating (loss)/profit		(70,753)	37,585
Finance income	9	126	14
Finance expenses	10	(17,285)	(14,872)
Net movement in fair value of derivative financial instruments	24	22,743	6,045
(Loss)/profit before tax		(65,169)	28,772
Taxation	11	6	(15)
Total comprehensive (loss)/income for the year (attributable to owners of the parent company)		(65,163)	28,757
(Loss)/earnings per Share - basic and diluted	12	(12.6)p	6.3p

The notes below are an integral part of these consolidated financial statements.
Total comprehensive income arises from continuing operations.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Assets			
Non-current assets			
Investment properties	14	789,480	906,149
Right of use assets	25	11,126	16,482
Non-current receivables on tenant loan	16	578	819
Derivative financial instruments	24	24,449	1,706
		825,633	925,156
Current assets			
Trade and other receivables	17	30,274	29,404
Cash and cash equivalents	18	50,148	56,128
		80,422	85,532
Total assets		906,055	1,010,688
Liabilities			
Current liabilities			
Trade and other payables	19	(39,231)	(40,966)
Deferred income	20	(16,661)	(16,751)
Deferred tax liabilities	21	(699)	(705)

		(56,591)	(58,422)
Non-current liabilities			
Bank and loan borrowings	22	(385,265)	(383,474)
Retail eligible bonds	23	(49,752)	(49,596)
Lease liabilities	25	(11,505)	(16,795)
		<u>(446,522)</u>	<u>(449,865)</u>
Total liabilities		<u>(503,113)</u>	<u>(508,287)</u>
Net assets		<u>402,942</u>	<u>502,401</u>
Equity			
Stated capital	26	513,762	513,762
(Accumulated losses)		<u>(110,820)</u>	<u>(11,361)</u>
Total equity attributable to owners of the parent company		<u>402,942</u>	<u>502,401</u>
Net asset value per Share - basic and diluted	27	78.1p	97.4p

The notes below are an integral part of these consolidated financial statements.

These consolidated group financial statements were approved by the Board of Directors and authorised for issue on 27 March 2023 and signed on its behalf by:

Kevin McGrath
Chairman
27 March 2023

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Attributable to owners of the parent company			
Notes	Stated capital £'000	(Accumulated losses) £'000	Total £'000
Balance at 1 January 2022	513,762	(11,361)	502,401
Total comprehensive loss	-	(65,163)	(65,163)
Dividends paid	13	(34,296)	(34,296)
Balance at 31 December 2022	<u>513,762</u>	<u>(110,820)</u>	<u>402,942</u>

For the year ended 31 December 2021

Attributable to owners of the parent company			
Notes	Stated capital £'000	(Accumulated losses) £'000	Total £'000
Balance at 1 January 2021	430,819	(10,237)	420,582
Total comprehensive income	-	28,757	28,757
Shares issued	26	83,051	83,051
Share issue costs	26	(108)	(108)
Dividends paid	13	(29,881)	(29,881)
Balance at 31 December 2021	<u>513,762</u>	<u>(11,361)</u>	<u>502,401</u>

The notes below are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flow from operating activities		

Cash flows from operating activities		
(Loss)/profit for the year before taxation	(65,169)	28,772
- Change in fair value of investment properties	113,233	8,296
- Change in fair value of financial derivative instruments	(22,743)	(6,045)
- Loss/(gain) on disposal of investment properties	8,636	(679)
- Gain on disposal of right of use assets	(76)	(167)
- Change in fair value of right of use assets	185	206
Finance income	(126)	(14)
Finance expense	17,285	14,872
(Increase)/ decrease in trade and other receivables	(619)	4,398
(Decrease)/increase in trade and other payables	(2,060)	5,089
(Decrease)/increase in deferred income	(90)	2,167
Cash generated from operations	48,456	56,895
Interest paid	(15,198)	(13,053)
Taxation received	-	-
Net cash flow generated from operating activities	33,258	43,842
Investing activities		
Purchase of investment properties	(89,287)	(175,196)
Sale of investment properties	84,087	76,940
Interest received	116	15
Net cash flow used in investing activities	(5,084)	(98,241)
Financing activities		
Share issue costs	-	(108)
Dividends paid	(33,971)	(27,813)
Bank borrowings advanced	14,322	77,305
Bank borrowings repaid	(13,467)	(3,539)
Bank borrowing costs paid	(485)	(2,051)
Lease repayments	(553)	(640)
Net cash flow (used in)/ generated in financing activities	(34,154)	43,154
Net decrease in cash and cash equivalents	(5,980)	(11,245)
Cash and cash equivalents at the start of the year	56,128	67,373
Cash and cash equivalents at the end of the year	50,148	56,128

The notes below are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. Corporate information

The Group's consolidated financial statements for the year ended 31 December 2022 comprise the results of the Company and its subsidiaries (together constituting the "Group") and were approved by the Board and authorised for issue on 27 March 2023.

The Company is a company limited by Shares incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended (the "Law"). The Company's Ordinary Shares are admitted to the Official List of the Financial Conduct Authority ("FCA") and traded on the London Stock Exchange ("LSE").

The Company was incorporated on 22 June 2015 and is registered with the Guernsey Financial Services Commission as a Registered Closed-Ended Collective Investment Scheme pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 2020, as amended, and the Registered Collective Investment Scheme Rules & Guidance 2021.

The Company did not begin trading until 6 November 2015 when the Shares were admitted to trading on the LSE.

The nature of the Group's operations and its principal activities are set out in the Strategic Report in the full Annual Report.

The address of the registered office is Mont Crevelt House, Bulwer Avenue, St. Sampson, Guernsey GY2 4LH.

2. Basis of preparation

In accordance with Section 244 of The Companies (Guernsey) Law 2008, the Group confirms that the financial information for the year ended 31 December 2022 are derived from the Group's audited financial statements and that these are not statutory accounts and, as such, do not contain all information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

The statutory accounts for the year ended 31 December 2022 have been audited and approved, but have not yet been filed.

The Group's audited financial statements for the year ended 31 December 2022 received an unqualified audit opinion and the auditor's report contained no statement under section 263(2) or 263(3) of The Companies (Guernsey) Law 2008.

The financial information contained within this preliminary statement was approved and authorised for issue by the Board on 27 March 2023.

2.1 Functional and presentation currency

The financial information is presented in Pounds Sterling, which is also the functional currency, and all values are rounded to the nearest thousand (£'000) pound, except where otherwise indicated.

2.2 Going concern

The Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue as a going concern. This expectation is underpinned by the Board having made an assessment of the Group's ability to continue in operational existence, giving due consideration to the Group's cash resources, borrowing facilities, rental income, acquisition and disposals of investment properties, elective and committed capital expenditure and dividend distributions.

No material uncertainties have been detected which would influence the Group's ability to continue as a going concern for a period of at least 12 months from the approval of these financial statements. The Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for this period.

Accordingly, the Board of Directors continue to adopt the going concern basis in preparing the financial statements.

2.3 Business combinations

At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. For an acquisition of a business where an integrated set of activities are acquired in addition to the property, the Group accounts for the acquisition as a business combination under IFRS 3 Business Combinations ("IFRS 3").

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.

2.4 New standards, amendments and interpretations

New standards, amendments to standards and interpretations which came into effect for accounting periods starting on or after 1 January 2022 and which have had an impact on the financial statements are as follows:

Amendments to IFRS 3 'Business Combinations'

(effective for periods beginning on or after 1 January 2022) - gives clarification on the recognition of contingent liabilities at acquisition and clarifies that contingent assets should not be recognised at the acquisition date. The amendments do not have a significant impact on the preparation of these financial statements.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (effective for periods beginning on or after 1 January 2022) - gives clarification on costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The amendments do not have a significant impact on the preparation of these financial statements.

Amendments to IFRS 9 'Financial Instruments' (effective for periods beginning on or after 1 January 2022) - gives clarification on the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original liability. The amendments do not have a significant impact on the preparation of these financial statements.

2.5 New standards, amendments and interpretations effective for future accounting periods

A number of new standards, amendments to standards and interpretations are effective for periods beginning on or after 1 January 2023 and have not been applied in preparing these financial statements. These are:

Amendments to IAS 1 'Presentation of Financial Statements' (effective for periods beginning on or after 1 January 2023) - are intended to help entities in deciding which accounting policies to disclose in their financial statements. The amendments are not expected to have a significant impact on the preparation of the financial statements.

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for periods beginning on or after 1 January 2023) - introduces the definition of an accounting estimate and includes other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are not expected to have a significant impact on the preparation of the financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' (effective for periods beginning on or after 1 January 2024) - clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendments also clarify 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. These amendments are not expected to have a significant impact on the preparation of the financial statements.

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that

affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1. Critical accounting estimates and assumptions

The principal estimates that may be material to the carrying amount of assets and liabilities are as follows:

3.1.1 Valuation of investment property

The fair value of investment property, which has a carrying value at the reporting date of £789,480,000 (31 December 2021: £906,149,000), is determined by independent property valuation experts to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques applying the principles of both IAS 40 and IFRS 13.

The value of the properties has been assessed in accordance with the relevant parts of the current RICS Red Book. In particular, we have assessed the fair value as referred to in VPS4 item 7 of the RICS Red Book. Under these provisions, the term "Fair Value" means the definition adopted by the International Accounting Standards Board ("IASB") in IFRS 13, namely "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". Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in note 14.

3.1.2. Fair valuation of interest rate derivatives

In accordance with IFRS 13, the Group values its interest rate derivatives at fair value. The fair values are estimated by the respective counterparties with revaluation occurring on a quarterly basis. The counterparties will use a number of assumptions in determining the fair values, including estimations over future interest rates and therefore future cash flows. The fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate. The carrying value of the derivatives at the reporting date was £24,449,000 asset (31 December 2021: £1,706,000). The significant methods and assumptions used in estimating the fair value of the interest rate derivatives are set out in note 24.

3.1.3. Leases - the Group as lessee

The Group has a number of leases concerning the long-term lease of land associated with its long leasehold investment properties. Under IFRS16, the Group calculates the lease liability at each reporting date and at the inception of each lease. The liability is calculated using present value of future lease payments using the Group's incremental borrowing rate as the discount rate. At 31 December 2022, there were 10 leases with the range of the period left to run being 29 and 95 years (31 December 2021: 12 leases with periods of 45 to 130 years left to run). The Directors have determined that the discount rate to use in the calculation for each lease is 4% (31 December 2021: 4%) being the Group's weighted average cost of debt at the date of transition. Any new leases entered in to following the transition date will apply a discount rate based on the Group's weighted average cost of debt at the date the lease is entered in to.

3.1.4. Dilapidation income

The Group recognises dilapidation income in the Group's Statement of Comprehensive Income when the right to receive the income arises. In determining accrued dilapidations, the Group has considered historic recovery rates, while also factoring in expected costs associated with recovery.

3.2. Critical judgements in applying the Group's accounting policies

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

3.2.1 Operating lease contracts - the Group as lessor

The Group has acquired investment properties that are subject to commercial property leases with tenants. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all of the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

3.2.2 Consolidation of entities in which the Group holds less than 50%

Management considered that up until 9 November 2018, the Group had de facto control of View Castle Limited and its 27 subsidiaries (the "View Castle Sub Group") by virtue of the amended and restated Call Option Agreement dated 3 November 2015. Following a restructure of the View Castle Sub Group, the majority of properties held within the View Castle Sub Group now reside in a new special purpose vehicle ("SPV"). A new call option was entered into dated 9 November 2018 with View Castle Limited and five of its subsidiaries (the "View Castle Group"). As per the previous amended and restated Call Option Agreement, under this new option the Group may acquire any of the properties held by the View Castle Group for a fixed nominal consideration. Despite having no equity holding, the Group is deemed to have control over the View Castle Group as the Option Agreement means that the Group is exposed to, and has rights to, variable returns from its involvement with the View Castle Group, through its power to control.

3.2.3 Acquisitions of subsidiary companies

For each acquisition, the Directors consider whether the acquisition met the definition of the acquisition of a business or the acquisition of a group of assets and liabilities.

A business is defined in IFRS 3 as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Furthermore, a business consists of inputs and processes applied to those inputs that have the ability to create outputs.

The companies acquired have comprised portfolios of investment properties and existing leases with multiple tenants over varying periods, with little in the way of processes acquired. It has therefore concluded in each case that the acquisitions did not meet the criteria for the acquisition of a business as outlined above.

3.2.4 Recognition of income

Service charges and other similar receipts are included in net rental and property income gross of the related costs as the Directors consider the Group acts as principal in this respect.

4. Summary of significant accounting policies

The accounting policies adopted in this report are consistent with those applied in the financial statements for the year ended 31 December 2021 and have been consistently applied for the year ended 31 December 2022.

4.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the date of the Statement of Financial Position.

4.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets and liabilities acquired, and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in full. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The excess of the consideration transferred, and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired, is recognised as goodwill.

4.2.1. Disposal of subsidiaries

When the Group ceases to have control over an entity, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.3. Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the Board of Directors.

After a review of the information provided for management purposes, it was determined that the Group has one operating segment and therefore segmental information is not disclosed in these consolidated financial statements. No single customer comprises in excess of 10% of the Group's revenue in either 2022 or 2021.

4.4. Investment property

Investment property comprises freehold or leasehold properties that are held to earn rentals or for capital appreciation, or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is recognised, usually, on legal completion, when the risks and rewards of ownership have been transferred, and is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and other costs incurred in order to bring the property to the condition necessary for it to be capable of being utilised in the manner intended. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair value are included in the Group's Consolidated Statement of Comprehensive Income in the period in which they arise under IAS 40, 'Investment Property'.

Additions to investment property include costs of a capital nature only. Expenditure is classified as capital when it results in identifiable future economic benefits, which are expected to accrue to the Group. All other property expenditure is charged in the Group's Consolidated Statement of Comprehensive Income as incurred.

Investment properties cease to be recognised when they have been disposed of or withdrawn permanently from use and no future economic benefit is expected. The difference between the net disposal proceeds and the carrying amount of the asset (being the fair value at the start of the financial year) would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the Group's Consolidated Statement of Comprehensive Income in the period of retirement or disposal.

4.5. Derivative financial instruments

Derivative financial instruments, comprising interest rate caps and swaps for hedging purposes, 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 sell or transfer the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the lender and its counterparties. The gain or loss at each fair value remeasurement date is recognised in the Group's Consolidated Statement of Comprehensive Income.

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.

4.6. Financial assets

The Group classifies its financial assets as at fair value through profit or loss or at amortised cost, depending on the purpose for which the asset was acquired. Currently the Group does not have any financial assets which it has classified at fair value through profit or loss.

Assets held at amortised cost arise principally from the provision of goods and services (e.g. trade and other receivables), but also incorporate other financial assets where the objective is to hold these assets in order to collect contractual cash flows which comprise the payment of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

The Group's financial assets comprise 'trade and other receivables', 'tenant loan' and 'cash and cash equivalents'.

The tenant loan relates to a loan made to a tenant which is subject to interest. The amount receivable has been recognised at amortised cost using the effective interest method. Impairment provisions are recognised based on the expected credit loss model detailed within IFRS 9.

4.7. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost less provision for impairment. Where the time value of money is material, receivables are carried at amortised cost using the effective interest method. Impairment provisions are recognised based on the expected credit loss model detailed within IFRS 9.

The Group recognises a loss allowance for expected credit losses on trade receivables. The loss allowance is based on lifetime expected credit losses. Trade receivables are grouped based on shared credit risk characteristics and the days past due. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Impaired balances are reported net, however, impairment provisions are recorded within a separate provision account with the loss being recognised within administration costs within the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Lease premiums and other lease incentives provided to tenants are recognised as an asset and amortised over the period from date of lease commencement to termination date.

4.8. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at banks with original maturities of three months or less. Cash also includes amounts held in restricted accounts that are unavailable for everyday use.

4.9. Trade and other payables

Trade and other payables are initially recognised at their fair value being at their invoiced value inclusive of any VAT that may be applicable. Payables are subsequently measured at amortised cost using the effective interest method.

4.10. Bank and other borrowings

All bank and other borrowings (comprising bank loans and retail eligible bonds) are initially recognised at cost net of attributable transaction costs. Any attributable transaction costs relating to the issue of the bank borrowings are amortised through the Group's Statement of Comprehensive Income over the life of the debt instrument on a straight-

line basis. After initial recognition, all bank and other borrowings are measured at amortised cost, using the effective interest method.

Bank and other borrowings are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in Group's Consolidated Statement of Comprehensive Income.

4.11. Dividends payable to Shareholders

Equity dividends are recognised and accrued from the date declared and when they are no longer at the discretion of the Company.

4.12. Rental and property income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in gross rental and property income in the Group's Consolidated Statement of Comprehensive Income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and are recognised as an expense over the lease term on the same basis as the lease income.

For leases which contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight-line basis over the lease term.

Tenant lease incentives are recognised as a reduction of rental 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 tenant has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Surrender premiums received from tenants to terminate leases or surrender premises are recognised in the Group's Statement of Comprehensive Income when the right to receive them arises.

Dilapidation income is recognised in the Group's Statement of Comprehensive Income when the right to receive it arises.

When the Group is acting as an agent, the commission, rather than gross income, is recorded as revenue.

Income arising from expenses recharged to tenants is recognised in the year in which the compensation becomes receivable. Service charges and other similar receipts are included in net rental and property income gross of the related costs as the Directors consider the Group acts as principal in this respect.

4.13. Property costs

Non-recoverable property costs contain service and management charges related to empty properties.

Service and management charges are recognised in the accounting period in which the services are rendered.

Recoverable property costs contain service charges and other similar costs which are recognised in the accounting period in which the services are rendered.

4.14. Interest income

Interest income is recognised as interest accrued on cash balances held by the Group. Interest charged to a tenant on any overdue rental income is also recognised within interest income.

4.15. Dividend income

Dividend income is recognised when the right to receive payment is established.

4.16. Finance costs

Interest costs are expensed in the period in which they occur. Arrangement fees that a Group entity incurs in connection with bank and other borrowings are amortised over the term of the loan.

4.17. Taxation

As the Company is managed and controlled in the UK, it is considered to be tax resident in the UK.

The tax currently payable is based on the taxable profit/(loss) for the period. Taxable profit/(loss) differs from net profit/(loss) as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current and deferred tax is calculated using tax rates that have been enacted or substantively enacted at the date of the Statement of Financial Position.

The Group elected to be treated as a UK REIT with effect from 7 November 2015. The UK REIT rules exempt the profits of the Group's UK property rental business from UK Corporation Tax. Gains on UK properties are also exempt from tax, provided that they are not held for trading or sold in the three years after completion of development. The Group is otherwise subject to UK Corporation Tax.

There are a small number of entities within the Group which fall outside the REIT rules and are subject to UK taxes on profits and property gains.

4.18. Deferred tax

Deferred tax is provided in full using the liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit/(loss). The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates (and tax laws) enacted or substantively enacted at the date of the Statement of Financial Position. A deferred tax asset is recognised only to the extent that it is probable that future

profits will be available for offset.

The deferred tax liability in relation to investment properties that are measured at fair value is determined assuming that the property will be recovered entirely through sale.

Deferred tax has been recognised on the unrealised property valuation gains/(losses) of properties owned by Group entities which fall outside of the REIT tax rules.

The current rate of UK Corporation Tax is 19%.

4.19. Stated capital

Stated capital represents the consideration received by the Company for the issue of Ordinary Shares. Ordinary Shares are classed as equity.

4.20. Share-based payments

The Group has entered into performance fee arrangements with the Asset Manager and Investment Manager which depend on the growth in the net asset value of the Group exceeding a hurdle rate of return over a performance period. The fee will be partly settled in cash and partly in equity and the equity portion is therefore a Share-based payment arrangement. The fair value of the obligation is measured at each reporting period, and the cost recognised as an expense. The part of the obligation to be settled in Shares is credited to equity reserves. If circumstances change and the fee is no longer settled by the issue of Shares, then the amounts previously credited to equity reserves are reversed. In the year ending 31 December 2021 no cash or equity rewards have been made.

4.21 Leased assets

The Group has a number of leases concerning the long-term lease of land associated with its long leasehold investment properties. These leased assets are capitalised as "right of use assets" by recognising the present value of the lease payments as an asset and a financial liability representing the obligation to make future lease payments.

Right of use assets are valued at fair value and the change in fair value is recognised in the Consolidated Statement of Comprehensive Income.

The associated financial liability is valued at the present value of future lease payments using the Group's incremental borrowing rate. The value of the financial liability is revalued at each reporting date. Lease payments reduce the financial liability and interest on the financial liability is recognised in finance costs.

5. Rental and property income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Rental income - freehold property	61,458	57,128
Rental income - long leasehold property	14,861	8,626
Recoverable service charge income and other similar items	16,999	14,145
Total	93,318	79,899

6. Property costs

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Other property expenses and irrecoverable costs	13,673	9,930
Recoverable service charge expenditure and other similar costs	16,999	14,145
Total	30,672	24,075

7. Administrative and other expenses

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Investment management fees	2,687	2,326
Property management fees	3,044	2,495
Asset management fees	2,691	2,326
Directors' remuneration (see note 8)	302	254
Administration fees	697	647
Legal and professional fees	2,083	1,680
Marketing and promotion	111	72
Other administrative costs	195	129
Bad debt (credit)/cost	(405)	626
Bank charges	16	28
Total	11,421	10,583

Services provided by the Company's Auditor and its associates

The Group has obtained the following services from the Company's Auditor and its associates:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	99	88
Fees payable to the Group's Auditor and its associates for the audit of the Company's subsidiaries	125	117
Total fees payable for audit services	224	205
Fees payable to the Group's Auditor and its associates for other services:		
Audit-related services	29	27
Total fees payable to the Group's Auditor and its associates	253	232

8. Directors' remuneration

Key management comprises the Directors of the Company. A summary of the Directors' emoluments is set out in the Directors' Remuneration Report in the full Annual Report.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Directors' fees	273	231
Employer's National Insurance contributions	29	23
Total	302	254

9. Finance income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest income	126	14
Total	126	14

10. Finance expense

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest payable on bank borrowings	12,940	10,795
Amortisation of loan arrangement fees	1,421	1,067
Bond interest	2,250	2,250
Bond issue costs amortised	156	155
Bond expenses	8	8
Lease interest	510	597
Total	17,285	14,108

11. Taxation

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Corporation tax charge/(credit)	-	-
(Decrease)/increase in deferred tax liability	(6)	15
Total	(6)	15

The current tax (credit)/charge is reduced by the UK REIT tax exemptions. The tax charge for the year can be reconciled to the (loss)/profit the Consolidated Statement of Comprehensive Income as follows:

Year ended	Year ended
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	31 December 2022 £'000	31 December 2021 £'000
(Loss)/profit before taxation	<u>(65,169)</u>	<u>28,772</u>
UK Corporation Tax rate	19%	19%
Theoretical tax at UK Corporation Tax rate	(12,382)	5,467
Effects of:		
Revaluation of investment property	21,514	1,576
Permanent differences	(201)	(207)
Profits from the tax-exempt business	(8,931)	(6,836)
Deferred tax movement	(6)	15
Total	<u>(6)</u>	<u>15</u>

Permanent differences are the differences between an entity's taxable profits and its results as stated in the financial statements. These arise because certain types of income and expenditure are non-taxable or disallowable, or because certain tax charges or allowances have no corresponding amount in the financial statements.

The Group elected to be treated as a UK REIT with effect from 7 November 2015. The UK REIT rules exempt the profits of the Group's UK property rental business from corporation tax. Gains on UK properties are also exempt from tax, provided they are not held for trading or sold in the three years after completion of development. The Group is otherwise subject to UK corporation tax.

As a REIT, Regional REIT Ltd is required to pay PIDs equal to at least 90% of the Group's exempted net income. To retain UK REIT status, there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activity and its balance of business. The Group continues to meet these conditions.

UK corporation tax arises on entities which form part of the Group consolidated accounts but do not form part of the REIT group.

Due to the Group's REIT status and its intention to continue meeting the conditions required to obtain approval in the foreseeable future, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments held by entities within the REIT group.

No deferred tax asset has been recognised in respect of losses carried forward due to the unpredictability of future taxable profits.

12. Earnings per Share

Earnings per Share amounts are calculated by dividing (losses)/profits for the year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year.

The calculation of basic and diluted earnings per Share is based on the following:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Calculation of earnings per Share		
Net(loss)/profit attributable to Ordinary Shareholders	(65,163)	28,757
Adjustments to remove:		
Changes in value of investment properties	113,233	8,296
Changes in fair value of right of use assets	185	206
Loss/(gain) on disposal of investment property	8,636	(679)
Gain on the disposal of right of use assets	(76)	(167)
Changes in fair value of interest rate derivatives and financial assets	(22,743)	(6,045)
Deferred tax charge/(credit)	(6)	15
EPRA net profit attributable to Ordinary Shareholders	<u>34,066</u>	<u>30,383</u>
Weighted average number of Ordinary Shares	515,736,583	459,660,172
(Loss)/earnings per Share - basic and diluted	(12.6)p	6.3p
EPRA earnings per Share - basic and diluted	6.6p	6.6p

13. Dividends

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
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Dividend of 1.70 (2021: 1.50) pence per Ordinary Share for the period 1 October - 31 December	8,768	6,473
Dividend of 1.65 (2021: 1.60) pence per Ordinary Share for the period 1 January - 31 March	8,510	6,904
Dividend of 1.65 (2021: 1.60) pence per Ordinary Share for the period 1 April - 30 June	8,509	8,252
Dividend of 1.65 (2021: 1.60) pence per Ordinary Share for the period 1 July - 30 September	8,509	8,252
	34,296	29,881

On 24 February 2022, the Company announced a dividend of 1.70 pence per Share in respect of the period 1 October 2021 to 31 December 2021. The dividend payment was made on 8 April 2022 to Shareholders on the register as at 4 March 2022.

On 25 May 2022, the Company announced a dividend of 1.65 pence per Share in respect of the period 1 January 2022 to 31 March 2022. The dividend payment was made on 15 July 2022 to Shareholders on the register as at 6 June 2022.

On 24 August 2022, the Company announced a dividend of 1.65 pence per Share in respect of the period 1 April 2022 to 30 June 2022. The dividend payment was made on 14 October 2022 to Shareholders on the register as at 2 September 2022.

On 10 November 2022, the Company announced a dividend of 1.65 pence per Share in respect of the period 1 July 2022 to 30 September 2022. The dividend payment was made on 12 January 2023 to Shareholders on the register as at 18 November 2022.

On 23 February 2023, the Company announced a dividend of 1.65 pence per Share in respect of the period 1 October 2022 to 31 December 2022. The dividend will be paid on 6 April 2023 to Shareholders on the register as at 3 March 2023. The financial statements do not reflect this dividend.

The Board intends to pursue a progressive dividend policy and continue to pay quarterly dividends. The level of future payment of dividends will be determined by the Board having regard to, amongst other things, the financial position and performance of the Group at the relevant time, UK REIT requirements, and the interest of Shareholders.

14. Investment properties

In accordance with International Accounting Standard, IAS 40, 'Investment Property', investment property has been independently valued at fair value by Cushman & Wakefield Chartered Surveyors, an accredited independent valuer with recognised and relevant professional qualifications and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the Red Book and incorporate the recommendations of the International Valuation Standards Committee which are consistent with the principles set out in IFRS 13.

The valuations are the ultimate responsibility of the Directors. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed by the Board.

All corporate acquisitions during the year have been treated as properties purchased rather than business combinations (see note 3.2.3).

Group Movement in investment properties for the year ended 31 December 2022	Freehold Property £'000	Long Leasehold Property £'000	Total £'000
Valuation at 1 January 2022	751,440	154,709	906,149
Property additions - acquisitions	70,322	8,948	79,270
Property additions - subsequent expenditure	5,994	4,023	10,017
Property disposals	(80,436)	(3,651)	(84,087)
Loss on the disposal of investment properties	(8,032)	(604)	(8,636)
Change in fair value during the year	<u>(95,658)</u>	<u>(17,575)</u>	<u>(113,233)</u>
Valuation at 31 December 2022	<u>643,630</u>	<u>145,850</u>	<u>789,480</u>
Movement in investment properties for the year ended 31 December 2021			
Valuation at 1 January 2021	659,432	72,948	732,380
Property additions - acquisitions	155,806	95,625	251,431
Property additions - subsequent expenditure	3,329	3,487	6,816
Property disposals	(60,304)	(16,557)	(76,861)
Gain/(loss) on the disposal of investment properties	(1,256)	1,935	679
Change in fair value during the year	<u>(5,567)</u>	<u>(2,729)</u>	<u>(8,296)</u>
Valuation at 31 December 2021	<u>751,440</u>	<u>154,709</u>	<u>906,149</u>

The net book value of properties disposed of during the year amounted to £92,723,000 (2021: £76,181,000).

The historic cost of the properties is £919,543,000 (31 December 2021: £942,694,000).

Bank borrowings are secured by charges over investment properties held by certain asset-holding subsidiaries. The banks also hold charges over the Shares of certain subsidiaries and any intermediary holding companies of those subsidiaries. The value of investment properties secured at 31 December 2022 was £789,480,000 (31 December 2021: £906,149,000).

The following table provides the fair value measurement hierarchy for investment property:

Date of valuation:	Total £'000	Quoted active prices (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
31 December 2022	789,480	-	-	789,480
31 December 2021	906,149	-	-	906,149

The hierarchy levels are defined in note 29.

It has been determined that the entire investment properties portfolio should be classified under the level 3 category.

The table below shows the movement in the year on the level 3 category:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Balance at the start of the year	906,149	732,380
Additions	89,287	258,247
Disposals	(84,087)	(76,861)
(Loss)/gain on the disposal of investment properties	(8,636)	679
Change in fair value during the year	(113,233)	(8,296)
Balance at the end of the year	789,480	906,149

The determination of the fair value of the investment properties held by each consolidated subsidiary requires the use of estimates such as future cash flows from investment properties, which take into consideration lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property, and discount rates applicable to those assets. Future revenue streams comprise contracted rent (passing rent) and estimated rental value after the contract period. In calculating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

As at 31 December 2022, the estimated fair value of each property has been primarily derived using comparable recent market transactions on arm's length terms and assessed in accordance with the relevant parts of the RICS Valuation - Global Standards and the RICS Valuation UK National Supplement.

Techniques used for valuing investment properties

The following descriptions and definitions relate to valuation techniques and key observable inputs made in determining the fair values:

Valuation technique: market comparable method

Under the market comparable method (or market approach), a property fair value is estimated based on comparable transactions in the market.

Observable input: market rental

The rent at which space could be let in the market conditions prevailing at the date of valuation range: £12,500 - £3,317,000 per annum (2021: £9,000 - £3,125,246 per annum).

Observable input: rental growth

The decrease in rent is based on contractual agreements: 5.08% (2021: increase 12.29%). There is a gross contracted rent reduction, as per normal operations it is a combination of property disposals, space under refurbishment and lease expiries.

Observable input: net initial yield

The initial net income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase range: 0.00% - 22.58% (2021: 0.00% - 60.37%). There were no significant inter-relationships between unobservable inputs that materially affect fair value.

Unobservable inputs:

The significant unobservable inputs (level 3) are sensitive to changes in the estimated future cash flows from investment properties such as increases and decreases in contracted rents, operating expenses and capital expenses, plus transactional activity in the real estate market.

Geographical and sector specific market evidence reviewed in the course of preparing the December 2022 valuation had an initial yield range of 5.20% to 17.55% (2021: 5.06% to 12.13%).

As set out within the significant accounting estimates and judgements, the Group's property portfolio valuation is open to judgement and is inherently subjective by nature, and actual values can only be determined in a sales transaction.

	2022 Impact on statement of comprehensive income £'000	2022 Impact on statement of financial position £'000	2021 Impact on statement of comprehensive income £'000	2021 Impact on statement of financial position £'000
Improvement in ERV by 5%	35,307	35,307	39,166	39,166
Worsening in ERV by 5%	(34,740)	(34,740)	(38,625)	(38,625)
Improvement in yield by 0.125%	13,427	13,427	16,066	16,066
Worsening in yield by 0.125%	(13,035)	(13,035)	(15,558)	(15,558)

15. Investment in subsidiaries

List of subsidiaries which are 100% owned and controlled by the Group

	Country of incorporation	Ownership %
Blythwood House LLP (in liquidation)	United Kingdom	100%
Beaufort Office Park Management Company Limited	United Kingdom	100%
Glasgow Airport Business Park Management Company Limited	United Kingdom	100%
Regional Commercial MIDCO Ltd	Jersey	100%
RR Aspect Court Ltd	Jersey	100%
RR Bristol Ltd	Jersey	100%
RR Falcon Ltd	Jersey	100%
RR Hounds Gate Ltd	Jersey	100%
RR Rainbow (Aylesbury) Ltd	Jersey	100%
RR Rainbow (North) Ltd	Jersey	100%
RR Rainbow (South) Ltd	Jersey	100%
RR Range Ltd	Jersey	100%
RR Sea Dundee Ltd	United Kingdom	100%
RR Sea Hanover Street Ltd	United Kingdom	100%
RR Sea Lamont I Ltd	Jersey	100%
RR Sea Lamont II Ltd	Jersey	100%
RR Sea Lamont III Ltd	Jersey	100%
RR Sea St. Helens Ltd	United Kingdom	100%
RR Sea Stafford Ltd	United Kingdom	100%
RR Sea Strand Ltd	United Kingdom	100%
RR Sea TAPP Ltd	Guernsey	100%
RR Sea TOPP Bletchley Ltd	Guernsey	100%
RR Sea TOPP I Ltd	Guernsey	100%
RR Star Ltd	Jersey	100%
RR UK (Central) Ltd	Jersey	100%
RR UK (Cheshunt) Ltd	Jersey	100%
RR UK (South) Ltd	Jersey	100%
RR UK (Port Solent) Ltd	Jersey	100%
RR Wing Portfolio Ltd	Jersey	100%
Smallbrook Queensway Limited	Jersey	100%
Quay West Estate Company Limited	United Kingdom	100%
Tay Properties Ltd	Jersey	100%
TCP Arbos Ltd	Jersey	100%
TCP Channel Ltd	Jersey	100%
Tosca Chandlers Ford Ltd	Jersey	100%
Tosca Glasgow II Ltd	United Kingdom	100%
Tosca Midlands Ltd	Jersey	100%
Tosca North West Ltd	Jersey	100%
Tosca Scotland Ltd	Jersey	100%
Tosca Swansea Ltd	Jersey	100%
Tosca UK CP II Ltd	Jersey	100%
Tosca UK CP Ltd	Jersey	100%
Toscafund Bennett House Ltd	Jersey	100%
Toscafund Bishongate Street Ltd	Jersey	100%

Toscafund Blythswood Ltd	Jersey	100%
Toscafund Brand Street Ltd	Jersey	100%
Toscafund Chancellor Court Ltd	Jersey	100%
Toscafund Crompton Way Ltd	Jersey	100%
Toscafund Glasgow Ltd	Jersey	100%
Toscafund Harvest Ltd	Jersey	100%
Toscafund Milburn House Ltd	Jersey	100%
Toscafund Minton Place Ltd	Jersey	100%
Toscafund Newstead Court Ltd	Jersey	100%
Toscafund Portland Street Ltd	Jersey	100%
Toscafund St Georges House Ltd	Jersey	100%
Toscafund St James Court Ltd	Jersey	100%
Toscafund Strathclyde BP Ltd	Jersey	100%
Toscafund Wallington Ltd	Jersey	100%
Toscafund Westminster House Ltd	Jersey	100%
Toscafund Sheldon Court Ltd	Jersey	100%

All of the above entities have been included in the Group's consolidated financial statements.

By virtue of an Amended and Restated Call Option Agreement dated 3 November 2015, the Directors consider that the Group has control of View Castle Limited and its subsidiaries (the "View Castle Group").

Under this option, the Group has the ability to acquire any of the properties held by the View Castle Group by issuing an option notice for a nominal consideration of £1. The recipient of the option notice will be obliged to convey its title within one month after receipt of the option notice.

Despite having no equity holding, the Group controls the View Castle Group as the option agreement has the effect that the Group is exposed to, and has rights to, variable returns from its involvement with the View Castle Group through its power to control.

The companies which make up the View Castle Group are as follows:

List of subsidiaries that are controlled by the Group:

	Country of incorporation	Effective Ownership %
Castlestreat Ltd (in liquidation)	United Kingdom	100%
Caststop Ltd (in liquidation)	United Kingdom	100%
Credential (Baillieston) Ltd (in liquidation)	United Kingdom	100%
Credential (Greenock) Ltd (in liquidation)	United Kingdom	100%
Credential (Wardpark North) Ltd	United Kingdom	100%
Credential Estates Ltd	United Kingdom	100%
Old Rutherglen Road Ltd (in liquidation)	United Kingdom	100%
Rocket Unit Trust	Jersey	100%
Squeeze Newco 2 Ltd	United Kingdom	100%
The Legal Services Centre Ltd (in liquidation)	United Kingdom	100%
View Castle Ltd	United Kingdom	100%
View Castle (Milton Keynes) Ltd	United Kingdom	100%
View Castle (Properties) Ltd	United Kingdom	100%

All of the above entities have been included in the Group's consolidated financial statements up to 31 December 2022.

Business Combinations

There have been no new business combinations entered into in the financial year.

16. Non-current receivables on tenant loans

	31 December 2022 £'000	31 December 2021 £'000
At start of year	1,011	1,203
Amounts repaid in the year	(241)	(192)
At end of year	770	1,011
Asset due within 1 year (note 17)	192	192
Asset due after 1 year	578	819
	770	1,011

During 2016, the Group entered into a loan agreement with a tenant for £1,926,000. The loan is subject to interest of 4% above the base rate of the Bank of Scotland on late payments and is repayable in instalments over ten years. No impairment has been recognised against the non current receivable as at 31 December 2022 or 31 December 2021.

17. Trade and other receivables

	31 December 2022 £'000	31 December 2021 £'000
Gross amount receivable from	10,092	10,835

tenants		
Less provision for impairment	(902)	(1,615)
Net amount receivable from tenants	9,190	9,220
Current receivables - tenant loans (note 16)	192	192
Income tax	52	52
Other receivables	955	736
Prepayments	19,885	19,204
	30,274	29,404

The maximum exposure to credit risk at the reporting date is the carrying value of the receivable amounts (excluding prepayments) disclosed above. The Group does not hold any collateral as security.

The aged analysis of trade receivables was as follows:

	31 December 2022 £'000	31 December 2021 £'000
< 30 days	7,386	4,605
30-60 days	205	1,160
> 60 days	2,501	5,070
Net amount receivable from tenants	10,092	10,835
Less provision for impairment	(902)	(1,615)
	9,190	9,220

The Directors consider the fair value of receivables equals their carrying amount.

The table above shows the aged analysis of trade receivables which are past due but not impaired. These relate to tenants for whom there is no recent history of default.

Provision for impairment of trade receivables movement as follows:

	31 December 2022 £'000	31 December 2021 £'000
At start of year	1,615	1,458
Provision for impairment in the year	949	1,971
Receivables written off as uncollectable	(458)	(633)
Unused provision reversed	(1,204)	(1,181)
At end of year	902	1,615

Other categories within trade and other receivables do not include impaired assets. Receivables are written off as uncollectable where there is no reasonable expectation of recovery.

18. Cash and cash equivalents

	31 December 2022 £'000	31 December 2021 £'000
Group		
Cash held at bank	37,769	49,919
Restricted cash held at bank	12,379	6,209
At end of year	50,148	56,128

Restricted cash balances of the Group comprise:

- £8,886,000 (2021: £4,149,000) of funds held in blocked bank accounts which are controlled by the Group's lenders and are released to free cash once certain loan conditions are met. The restricted funds arose on net proceeds from investment property disposals and were released after the year end.

- £3,493,000 (2021: £2,060,000) of funds which represent tenants' rental deposits.

All restricted cash balances will be available before 31 March 2023.

In addition, £9,940,000 (2021: £10,040,000) of cash funds represent service charge income received from tenants for settlement of future service charge expenditure. These amounts are not analysed as restricted balances.

19. Trade and other payables

	31 December 2022 £'000	31 December 2021 £'000
Withholding tax due on dividends paid	929	861
Dividends announced but not paid	8,509	8,252
Trade payables	2,455	2,550

Trade payables	3,455	3,559
Other payables	14,703	13,245
Value added tax	1,562	1,714
Accruals	10,073	13,335
At end of year	39,231	40,966

Other payables principally include rent deposits held and service charge costs.
The Directors consider the fair value of trade and other payables to equal their carrying amounts.

20. Deferred income

Deferred rental income of £16,661,000 (31 December 2021: £16,751,000) represents rent received in advance from tenants. Deferred income will be recognised over the next 12 month period.

21. Deferred tax liabilities

	31 December 2022 £'000	31 December 2021 £'000
Deferred tax	699	705
	699	705
The movement on deferred tax liability is shown below:		
At start of year	705	690
Deferred tax on the valuation of investment properties	(6)	15
At end of year	699	705

The deferred tax liability to the potential tax liability that may crystallise when investment properties are sold. It is calculated on the revaluation gains of investment properties held by the Group which fall outside of the REIT regime.

22. Bank and loan borrowings

Bank borrowings are secured by charges over investment properties held by certain asset-holding subsidiaries. The banks also hold charges over the Shares of certain subsidiaries and any intermediary holding companies of those subsidiaries. Any associated fees in arranging the bank borrowings unamortised as at the year end are offset against amounts drawn on the facilities as shown in the table below:

	31 December 2022 £'000	31 December 2021 £'000
Bank borrowings drawn at start of year	389,937	316,171
Bank borrowings drawn	14,322	77,305
Bank borrowings repaid	(13,467)	(3,539)
Bank borrowings drawn at end of year	390,792	389,937
Less: unamortised costs at start of year	(6,463)	(5,479)
Less: loan issue costs incurred in the year	(485)	(2,051)
Add: loan issue costs amortised in the year	1,421	1,067
At end of year	385,265	383,474
Maturity of bank borrowings		
Repayable within 1 year	-	-
Repayable between 1 to 2 years	-	-
Repayable between 2 to 5 years	290,677	127,220
Repayable after more than 5 years	100,115	262,717
Unamortised loan issue costs	(5,527)	(6,463)
	385,265	383,474

As detailed in note 23, the Group has £50,000,000 (31 December 2021: £50,000,000) retail eligible bonds in issue.

The table below lists the Group's borrowings.

Lender	Original facility £'000	Outstanding debt* £'000	Maturity date	Gross loan to value**	Annual interest rate	Amortisation
Royal Bank of Scotland, Bank of Scotland and Barclays	128,000	125,676	Aug-26	50.8%	2.40% over 3mth £ SONIA	Mandatory prepayment
Scottish Widows Ltd & Aviva Investors Real Estate Finance	165,000	165,000	Dec-27	52.0%	3.28% Fixed	None

Borrowings						
Scottish Widows Ltd	36,000	36,000	Dec-28	42.2%	3.37% Fixed	None
Santander UK	65,870	64,116	Jun-29	44.9%	2.20% over 3mth SONIA	Mandatory prepayment
Total bank borrowings	394,870	390,792				
Retail eligible bond	50,000	50,000	Aug-24	N/A	4.50% Fixed	None
Total	444,870	440,792				

SONIA = Sterling Over Night Indexed Average
LIBOR = London Interbank Offered Rate (Sterling)

* Before unamortised debt issue costs

** Based upon Cushman & Wakefield property valuations

The percentage of borrowings at variable rates of interest was 43.1% (31 December 2021: 42.9%).

The weighted average term to maturity of the Group's debt at the year end was 4.5 years (31 December 2021: 5.5 years).

The weighted average interest rate payable by the Group on its total bank borrowings, excluding hedging costs, as at the year end was 4.1% (31 December 2021: 3.0%).

The Group weighted average interest rate, including the retail eligible bonds and hedging costs at the year end, amounted to 3.5% per annum (31 December 2021: 3.3% per annum).

The Group has been in compliance with all of the financial covenants relating to the above facilities as applicable throughout the year covered by these consolidated financial statements. Each facility has distinct covenants which generally include: historic interest cover, projected interest cover, LTV cover and debt service cover. A breach of agreed covenant levels would typically result in an event of default of the respective facility, giving the lender the right, but not the obligation, to declare the loan immediately due and payable. Where a loan is repaid in these circumstances, early repayment fees will apply, which are generally based on a percentage of the loan repaid or calculated with reference to the interest income foregone by the lenders as a result of the repayment.

As shown in note 24, the Group uses a combination of interest rate swaps and fixed rate bearing loans to hedge against cash flow interest rate risks. The Group's exposure to interest rate volatility is minimal.

23. Retail Eligible Bonds

The Company has in issue £50,000,000 (31 December 2021: £50,000,000) 4.5% Retail Eligible Bonds with a maturity date of 6 August 2024. These unsecured bonds are listed on the London Stock Exchange ORB platform.

	31 December 2022 £'000	31 December 2021 £'000
Bond principal at start of year	50,000	50,000
Unamortised issue costs at start of year	(404)	(559)
Amortisation of issue costs	156	155
At end of year	49,752	49,596

24. Derivative financial instruments

Interest rate caps and swaps are in place to mitigate the interest rate risk that arises as a result of entering into variable rate borrowings.

	31 December 2022 £'000	31 December 2021 £'000
Group		
Fair value at start of year	1,706	(4,339)
Revaluation in the year	22,743	6,045
Fair value at end of year	24,449	1,706

The calculation of fair value of interest rate caps and swaps is based on the following calculation: the notional amount multiplied by the difference between the swap rate and the current market rate and then multiplied by the number of years remaining on the contract and discounted. Further details can be found in note 29.1.

The table below details the hedging and swap notional amounts and rates against the details of the Group's loan facilities.

Lender	Original facility £'000	Outstanding debt £'000	Maturity date	Annual interest rate	Notional amount £'000	Rate
Royal Bank of Scotland, Bank	128,000	125,676	Aug-26	2.40% over 3 months £ SONIA	73,000	0.97%

of Scotland and Barclays Scottish Widows Ltd. & Aviva Investors Real Estate					55,000	0.97%
Finance	165,000	165,000	Dec-27	3.28% Fixed	n/a	n/a
Scottish Widows Ltd	36,000	36,000	Dec-28	3.37% Fixed	n/a	n/a
Santander UK				2.20% over 3 months £	49,403	1.39%
	65,870	64,116	Jun-29	SONIA	16,468	1.39%
Total	394,870	390,792				

SONIA = Sterling Over Night Indexed Average

As at 31 December 2022, the swap notional arrangements were £122.4 million (31 December 2021: £105.9 million) and the cap notional arrangements amounted to £71.5 million (31 December 2021: £87.9 million).

The Group weighted average effective interest rate was 3.5% (31 December 2021: 3.3%) inclusive of hedging costs and the Retail Eligible Bond.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative liabilities.

It is the Group's target to hedge at least 90% of the total debt portfolio using interest rate derivatives and fixed-rate facilities. As at the year end, the total proportion of hedged debt equated to 100.9% (31 December 2021: 101.3%), as shown below. The over-hedged position has arisen as a result of the full RBS and Santander facilities (including headroom) being hedged but the excess relates to Interest Rate Caps which have no ongoing cost for the Group.

	31 December 2022 £'000	31 December 2021 £'000
Total bank borrowings	390,792	389,937
Notional value of interest rate caps and swaps	193,871	193,870
Value of fixed rate debts	201,000	201,000
	394,871	394,870
Proportion of hedged debt	100.9 %	101.3%

Table may not sum due to rounding

The Group has not adopted hedge accounting in either year.

25. Leases

	31 December 2022 £'000	31 December 2021 £'000
Right of use asset		
At start of year	16,482	16,156
Right of use asset acquired	-	6,438
Derecognition of right of use asset	(5,171)	(5,906)
Fair value movement	(185)	(206)
	11,126	16,482
Lease liability		
At start of year	16,795	16,473
Finance lease liability acquired	-	6,438
Derecognition of finance lease liability	(5,247)	(6,073)
Lease payments	(553)	(640)
Interest charges	510	597
At end of year	11,505	16,795

The derecognition of right of use assets and liabilities during the year gave rise to a realised gain of £76,000 (2021: £167,000).

The Group's lease commitments which are now represented by the right of use asset and lease liability are spread across 10 separate leases with the two largest leases at Northern Cross Basingstoke and Quantum Court Edinburgh making up 53% of the balance. Total commitments on leases in respect of land and buildings are as follows:

Group	31 December	31 December
	2022	2021
	£'000	£'000
Payable within 1 year	435	648
Payable between 1 and 2 years	435	648
Payable between 2 and 5 years	1,305	1,943
Payable after 5 years	29,109	47,668
	<u>31,284</u>	<u>50,907</u>

26. Stated capital

Stated capital represents the consideration received by the Company for the issue of Ordinary Shares.

Group	31 December	31 December
	2022	2021
	£'000	£'000
Issued and fully paid Shares of no par value		
At start of the year	513,762	430,819
Shares issued	-	83,051
Share issue costs	-	(108)
	<u>513,762</u>	<u>513,762</u>
Number of Shares in issue		
At start of the year	515,736,583	431,506,583
Shares issued	-	84,230,000
	<u>515,736,583</u>	<u>515,736,583</u>

During the year 84,230,000 Shares were issued as part of the consideration package for the purchase of a group of investment properties. The value of Shares issued was £83,051,000 (98.6p per Share).

27. Net asset value per Share (NAV)

Basic NAV per Share is calculated by dividing the net assets in the Statement of Financial Position attributable to ordinary equity holders of the parent by the number of Ordinary Shares outstanding at the end of the year.

In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. Further detail of the EPRA performance measures can be found in the full Annual Report.

Net asset values have been calculated as follows:

Group	31 December	31 December
	2022	2021
	£'000	£'000
Net asset value per Consolidated Statement of Financial Position	402,942	502,401
Adjustment for calculating EPRA net tangible assets:		
Derivative financial instruments	(24,449)	(1,706)
Deferred tax liability	699	705
	<u>379,192</u>	<u>501,400</u>
EPRA Net Tangible Assets	379,192	501,400
Number of Ordinary Shares in issue	515,736,583	515,736,583
Net asset value per Share - basic and diluted	78.1p	97.4p
EPRA Net Tangible Assets per Share - basic and diluted	73.5p	97.2p

28. Notes to the Statement of Cash Flows

28.1 Non-Cash Transactions

During the year, a non-cash transaction took place whereby 84,230,000 Shares were issued as part of the consideration package for the purchase of a group of investment properties. The value of Shares issued was £83,051,000.

During the year, two right of use assets and liabilities were derecognised following the sale of long-leasehold investment properties.

During the prior year, three right of use assets and liabilities were recognised at the value of £6,438,000 being the present value of the lease payments associated with the Group's long leasehold investment properties. Also, during the prior year, three right of use assets and liabilities were derecognised following the sale of long-leasehold investment properties.

28.2 Reconciliation of changes in liabilities to cash flows arising from financing activities

	Bank loans and borrowings £'000	Retail Eligible Bonds £'000	Lease liabilities £'000	Total £'000
Balance at 1 January 2022	383,474	49,596	16,795	449,865
Changes from financing cash flows:				
Bank and bond borrowings advanced	14,322	-	-	14,322
Bank borrowings repaid	(13,467)	-	-	(13,467)
Bank and bond borrowing costs paid	(485)	-	-	(485)
Lease payments	-	-	(553)	(553)
Total changes from financing cash flows	370	-	(553)	(183)
Amortisation of issue costs	1,421	156	-	1,577
Unwinding of discount	-	-	510	510
Derecognition of finance lease liability	-	-	(5,247)	(5,247)
Total other changes	1,421	156	(4,737)	(3,160)
Balance at 31 December 2022	385,265	49,752	11,505	446,522

	Bank loans and borrowings £'000	Retail Eligible Bonds £'000	Lease liabilities £'000	Total £'000
Balance at 1 January 2021	310,692	49,441	16,473	376,606
Changes from financing cash flows:				
Bank and bond borrowings advanced	77,305	-	-	77,305
Bank borrowings repaid	(3,539)	-	-	(3,539)
Bank and bond borrowing costs paid	(2,051)	-	-	(2,051)
Lease payments	-	-	(640)	(640)
Total changes from financing cash flows	71,715	-	(640)	71,075
Amortisation of issue costs	1,067	155	-	1,222
Unwinding of discount	-	-	597	597
Finance lease liability acquired	-	-	6,438	6,438
Derecognition of finance lease liability	-	-	(6,073)	(6,073)
Total other changes	1,067	155	962	2,184
Balance at 31 December 2021	383,474	49,596	16,795	449,865

29. Financial risk management

29.1 Financial instruments

The Group's principal financial assets and liabilities are those that arise directly from its operations: trade and other receivables, trade and other payables and cash and cash equivalents. The Group's other principal financial liabilities are bank and other loan borrowings, amounts due to interest rate derivatives, the main purpose of which is to finance the acquisition and development of the Group's investment property portfolio.

Set out below is a comparison by class of the carrying amounts of the Group's financial instruments that are carried in the financial statements and their fair value:

Group	31 December 2022		31 December 2021	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets - measured at amortised cost				
Trade and other receivables	10,915	10,915	10,967	10,967
Cash and short-term deposits	50,148	50,148	56,128	56,128
Financial assets - measured at fair value through profit or loss				
Interest rate derivatives	24,449	24,449	1,706	1,706
Financial liabilities - measured at amortised cost				
Trade and other payables	(36,741)	(36,741)	(38,391)	(38,391)
Bank and loan borrowings	(385,265)	(366,398)	(383,474)	(387,373)
Retail eligible bonds	(49,752)	(49,335)	(49,596)	(51,190)
Lease liability	(11,505)	(11,505)	(16,795)	(16,795)

The following financial liabilities are recorded in the Consolidated Statement of Financial Position at amortised cost but their fair value is different as disclosed above. Their fair values are determined as follows:

- The fair value of bank and loan borrowings is determined by reference to mark-to-market valuations provided by the lenders.
- The fair value of Retail Eligible Bonds is determined by their published market value.
- The fair value of the lease liability has been determined as the present value of future cash flows discounted using the Group's incremental borrowing rate.

The following financial assets and liabilities are recorded in the Consolidated Statement of Financial Position at fair value which is determined as follows:

- The fair value of interest rate derivatives is recorded in the Consolidated Statement of Financial Position and is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the year end.

Fair value hierarchy

The following table provides the fair value measurement hierarchy for financial assets and liabilities measured at fair value through profit or loss.

	Total £'000	Quoted active prices (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
Balance at 31 December 2022				
Interest rate derivatives	24,449	-	24,449	-
<hr/>				
31 December 2021				
Interest rate derivatives	1,706	-	1,706	-

The different levels are defined as follows.

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

There have been no transfers between levels during the year.

29.2 Risk management

The Group is exposed to market risk (including interest rate risk), credit risk and liquidity risk. The Board of Directors oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks that are summarised below.

29.3 Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the Group's bank balances along with a number of interest rate swaps entered into to mitigate interest rate risk.

The Group's interest rate risk arises from long-term borrowings issued at variable rates, which expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps, interest rate caps and interest rate swaps. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Interest rate caps limit the exposure to a known level.

If interest rates were to increase by the following rates, this would increase the annual interest charge to the Group and thus reduce profits and net assets as follows:

Interest rate increase	Increase to the annual interest charge	
	31 December 2022 £'000	31 December 2021 £'000
0.00%	-	-
0.25%	-	208
0.50%	-	415
0.75%	-	559
1.00%	-	671

29.4 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from both its leasing activities and financing activities, including deposits with banks and financial institutions. Credit risk is mitigated by tenants being required to pay rentals in advance under their lease obligations. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement.

Outstanding trade receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

29.5 Credit risk related to trade receivables

Trade receivables, primarily tenant rentals, are presented in the Group's Statement of Financial Position net of provisions for impairment. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition.

29.6 Credit risk related to financial instruments and cash deposits

One of the principal credit risks of the Group arises with the banks and financial institutions. The Board of Directors believes that the credit risk on short-term deposits and current account cash balances is limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies.

The list of bankers for the Group, with their latest Fitch credit ratings, was as follows:

Bankers	Fitch Ratings
Barclays Bank Plc	A+ Stable
Royal Bank of Scotland	A+ Stable
Bank of Scotland plc	A+ Stable
Santander UK	A+ Stable
Aviva	A+ Stable
Scottish Widows Limited	A Stable

29.7 Liquidity risk

Liquidity risk arises from the Group's management of working capital and, going forward, the finance charges and principal repayments on its borrowings. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due, as the majority of the Group's assets are investment properties and are therefore not readily realisable. The Group's objective is to ensure that it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows by management.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Group at 31 December 2022	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	After 5 years £'000	Total £'000
Trade and other payables	(36,741)	-	-	-	(36,741)
Bank borrowings	(16,300)	(16,300)	(330,923)	(106,105)	(469,628)
Interest rate derivatives	3,158	3,158	6,448	1,333	14,097
Retail eligible bonds	(2,250)	(52,250)	-	-	(54,500)
Lease liability	(435)	(435)	(1,305)	(29,109)	(31,284)
	(52,568)	(65,827)	(325,780)	(133,881)	(578,056)
Group at 31 December 2021	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	After 5 years £'000	Total £'000
Trade and other payables	(38,391)	-	-	-	(38,391)
Bank borrowings	(11,333)	(11,333)	(160,167)	(274,447)	(457,280)
Interest rate derivatives	(1,076)	(1,076)	(3,010)	(1,048)	(6,210)
Retail eligible bonds	(2,250)	(2,250)	(52,250)	-	(56,750)
Lease liability	(648)	(648)	(1,943)	(47,668)	(50,907)
	(53,698)	(15,307)	(217,370)	(323,163)	(609,538)

The maturity dates of all bank borrowings are disclosed in note 22.

The maturity date of the retail eligible bonds is disclosed in note 23.

The range of maturity dates of the lease liability payments is between 4 and 130 years.

30. Capital management

The primary objective of the Group's capital management is to ensure that it remains a going concern and continues to qualify for UK REIT status.

The Group's capital is represented by reserves and bank borrowings. The Board, with the assistance of the Investment and Asset Managers, monitors and reviews the Group's capital so as to promote the long-term success of the business, facilitate expansion, deliver a quarterly dividend distribution and to maintain sustainable returns for Shareholders.

The Group's policy on borrowings is as follows: the level of borrowing will be on a prudent basis for the asset class and will seek to achieve a low cost of funds, while maintaining flexibility in the underlying security requirements and the structure of both the portfolio and of Regional REIT.

Based on current market conditions, the Board will target Group net borrowings of 40% of Investment Property Values at any time. However, the Board may modify the Group's borrowing policy (including the level of gearing) from time to time in light of then-current economic conditions, relative costs of debt and equity capital, fair value of the Company's assets, growth and acquisition opportunities or other factors the Board deems appropriate.

The optimal debt financing structure for the Group will have consideration for key metrics including: fixed or floating interest rate charged, debt type, maturity profile, substitution rights, covenant and security requirements, lender type, diversity and the lender's knowledge and relationship with the property sector.

31. Operating leases

The future minimum lease payments receivable under non-cancellable operating leases in respect of the Group's property portfolio are as follows:

	31 December	31 December
	2022	2021
Group	£'000	£'000
Receivable within 1 year	55,898	56,503
Receivable between 1-2 years	42,673	43,349
Receivable between 2-5 years	74,718	56,017
Receivable after 5 years	46,122	31,267
	219,411	187,136

The Group has in excess of 1,030 operating leases.

The number of years remaining on these operating leases varies between 1 and 87 years. The amounts disclosed above represent total rental income receivable up to the next lease break point on each lease. If a tenant wishes to end a lease prior to the break point, a surrender premium will be charged to cover the shortfall in rental income received.

32. Segmental information

After a review of the information provided for management purposes, it was determined that the Group has one operating segment and therefore segmental information is not disclosed in these consolidated financial statements.

33. Transactions with related parties

Transactions with the Directors

Directors' remuneration is disclosed within the Remuneration Report in the full Annual Report and note 8 to the financial statements. Directors' beneficial interests in the Ordinary Shares of the Company are disclosed within the Directors' Report.

Transactions with the Asset Manager, London & Scottish Property Investment Management Limited, and the Property Manager, London & Scottish Property Asset Management Limited

Stephen Inglis is a non-executive Director of Regional REIT Limited, as well as being the chief executive officer of London & Scottish Property Investment Management Limited ("LSPIM") and a director of London & Scottish Property Asset Management Limited. The former company has been contracted to act as the Asset Manager of the Group and the latter as the Property Manager.

In consideration for the provision of services provided, the Asset Manager is entitled in each financial year (or part thereof) to 50% of an annual management fee on a scaled rate. Following a review by the Management Engagement and Remuneration Committee and having sought advice from Peel Hunt LLP, the Company's Financial Adviser and Broker, the Company and the Asset and Investment Managers agreed to amend the terms of the annual management fees charged to: (i) 1.1% of the EPRA NTA up to and equal to £500,000,000; (ii) 0.9% of EPRA NTA above £500,000,000 and up to or equal to £1,000,000,000; (iii) 0.7% of EPRA NTA above £1,000,000,000 and up to or equal to £1,500,000,000; and (iv) 0.5% of EPRA NTA above £1,500,000,000. Previously the annual management fee charged was on a scaled rate of 1.1% of the Company's EPRA NTA, reducing to 0.9% on net assets over £500,000,000. The fee shall be payable in cash quarterly in arrears.

In respect of each portfolio property, the Asset Manager has procured and shall, with the Company in the future, procure that London & Scottish Property Asset Management Limited is appointed as the Property Manager. A property management fee of 4% per annum is charged by the Property Manager on a quarterly basis: 31 March, 30 June, 30 September, and 31 December, based upon the gross rental yield. Gross rental yield means the rents due under the property's lease for the peaceful enjoyment of the property, including any value paid in respect of rental renunciations but excluding any sums paid in connection with service charges or insurance costs.

The Asset Manager is also entitled to a performance fee. Details of the performance fee are given below.

The following tables show the fees charged in the year and the amount outstanding at the end of the year:

	Year ended	Year ended
	31 December	31 December
	2022	2021
	£'000	£'000
Asset management fees charged*	2,691	2,326
Property management fees charged*	3,044	2,495
Total	5,735	4,821

	31 December 2022 £'000	31 December 2021 £'000
Total fees outstanding	<u>1,642</u>	<u>1,350</u>

* Including irrecoverable VAT charged where appropriate.

Transactions with the Investment Manager, Toscafund Asset Management LLP

Tim Bee is a non-executive Director of the Company, as well as being Chief Legal Counsel of the Investment Manager.

In consideration for the provision of services provided, the Investment Manager is entitled in each financial year (or part thereof) to 50% of an annual management fee on a scaled rate. Following a review by the Management Engagement and Remuneration Committee and having sought advice from Peel Hunt LLP, the Company's Financial Adviser and Broker, the Company and the Asset and Investment Managers agreed to amend the terms of the annual management fees charged to: (i) 1.1% of the EPRA NTA up to and equal to £500,000,000; (ii) 0.9% of EPRA NTA above £500,000,000 and up to or equal to £1,000,000,000; (iii) 0.7% of EPRA NTA above £1,000,000,000 and up to or equal to £1,500,000,000; and (iv) 0.5% of EPRA NTA above £1,500,000,000. Previously the annual management fee charged was on a scaled rate of 1.1% of the Company's EPRA NTA, reducing to 0.9% on net assets over £500,000,000. The fee shall be payable in cash quarterly in arrears.

The Investment Manager is also entitled to a performance fee. Details of the performance fee are given below.

The following tables show the fees charged in the year and the amount outstanding at the end of the year:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Investment management fees charged	<u>2,687</u>	<u>2,326</u>
Total	<u>2,687</u>	<u>2,326</u>

	31 December 2022 £'000	31 December 2021 £'000
Total fees outstanding	<u>524</u>	<u>593</u>

Performance Fee

The Asset Manager and the Investment Manager are each entitled to 50% of a performance fee. The fee is calculated at a rate of 15% of the total Shareholder return in excess of the hurdle rate of 8% per annum for the relevant performance period. Total Shareholder return for any financial year consists of the sum of any increase or decrease in EPRA NTV per Ordinary Share and the total dividends per Ordinary Share declared in the financial year. A performance fee is only payable in respect of a performance period where the EPRA NTV per Ordinary Share exceeds the high-water mark which is equal to the greater of the highest year-end EPRA NTV Ordinary Share in any previous performance period. The performance fee was calculated initially on 31 December 2018 and is assessed annually thereafter.

The performance fees are now payable 34% in cash and 66% in Ordinary Shares, at the prevailing price per share, with 50% of the Shares locked-in for one year and 50% of the Shares locked-in for two years.

No performance fee has been earned for the years ending 31 December 2022 or 31 December 2021.

35. Subsequent Events

On 23 February 2023, the Company declared the Q4 2022 dividend of 1.65pps, which will be paid to shareholders on 6 April 2023.

Company Information

Directors

Kevin McGrath (Chairman and Independent Non-Executive Director)
 William Eason (Senior Independent Non-Executive Director, Nomination Committee Chairman, Management Engagement and Remuneration Committee Chairman)
 Daniel Taylor (Independent Non-Executive Director)
 Frances Daley (Independent Non-Executive Director, Audit Committee Chairman)
 Massy Larizadeh (Independent Non-Executive Director)
 Stephen Inglis (Non-Executive Director)
 Tim Bee (Non-Executive Director)

Registered office

Regional REIT Limited
 Mont Crevelt House

Bulwer Avenue
St. Sampson
Guernsey
GY2 4LH

Regional REIT Limited

ISIN: GG00BYV2ZQ34

SEDOL: BYV2ZQ3

Legal Entity Identifier: 549300D8G4NKLRIBX73

Company website

www.regionalreit.com

FURTHER INFORMATION

The Company's annual report and accounts (including the Notice of Annual General Meeting) for the year ended 31 December 2022 will be available shortly on www.regionalreit.com.

It will also be submitted shortly in full unedited text to the Financial Conduct Authority's National Storage Mechanism and will be available for inspection at data.fca.org.uk/#/nsm/nationalstoragemechanism in accordance with DTR 6.3.5(1A) of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.



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