

26 March 2024

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

2023 Full Year Results

Resilient operational performance in challenging macroeconomic conditions

Regional REIT (LSE: RGL), the regional office specialist today announces its full results for the year ended 31 December 2023.

Financial highlights:

- Resilient valuation performance in a challenging environment, with a like-for-life portfolio valuation decline of 9.3% during the year significantly outperforming a -17.4% decline for the MSCI Rest of UK offices Index
- A high level of rent collection was achieved over the year. As at 15 March 2024, rent collection was strong, with FY 2023 collections reaching 99.0%, the equivalent date in 2023 when 98.7% had been collected
- Rent roll for the year was £67.8m (31 December 2022: £71.8m)
- Portfolio valuation of £700.7m (31 December 2022: £789.5m)
- Net initial yield increased to 6.2% (31 December 2022: 6.0%), the equivalent yield was 9.9% (31 December 2022: 9.0%) and the reversionary yield was 10.8% (31 December 2022: 10.2%)
- EPRA EPS of 5.23p per share ("pps") for the year (31 December 2022: 6.6pps)
- Covered Dividend of 5.25pps (31 December 2022: 6.6pps). Since the end of the year, the Company has declared a dividend for the fourth quarter of 2023 of 1.20pps, ensuring REIT compliance
- EPRA NTA per share 56.4pps (31 December 2022: 73.5pps); IFRS NAV of 59.3pps (31 December 2022: 78.1pps)
- The Group's cost of debt (incl. hedging) remained low at 3.5%, the same for the previous period. 100% of this was fixed, swapped or capped
- Weighted average debt duration 3.5 years (31 December 2022: 4.5 years); the earliest maturity being August 2024 for the £50m retail bond. Significant preparatory work has been undertaken to date in respect of both the debt and equity refinancing options
- Net LTV 55.1% (31 December 2022: 49.5%) before unamortised costs. The Board continues to target a net LTV ratio of 40%

Operational highlights:

- During the period, the Company completed 88 new lettings. When fully occupied, these will provide an additional gross rental income of £3.8 million per annum
- Energy Performance Certificate ("EPC") ratings have been reviewed across 98.4% of the portfolio. To date, the weighted average EPC ratings have improved from 56.9% to 73% EPC C and above
- At the period end, 92.1% (31 December 2022: 91.8%) of the portfolio valuation was offices, 3.1% retail (31 December 2022: 3.6%), industrial 3.2% (31 December 2022: 3.1%) and 1.7% other (31 December 2022: 1.4%)
- The portfolio continues to remain diversified with 144 properties (31 December 2022: 154), 1,483 units (31 December 2022: 1,552) and 978 tenants (31 December 2022: 1,076)

- By income, office assets accounted for 91.3% of gross rental income (31 December 2022: 91.5%) and 4.2% (31 December 2022: 4.5%) was retail. The balance was made up of industrial, 2.8% (31 December 2022: 2.6%), and other, 1.7% (31 December 2022: 1.3%)
- Disposals during the year totalled £25.0 million (net of costs), reflecting an average net initial yield of 4.5% (7.9% excluding vacant properties)
- At the period end, the portfolio valuation split by region was as follows: England 78.4% (31 December 2022: 78.3%), Scotland 16.2% (31 December 2022: 16.7%) and the balance of 5.4% (31 December 2022: 6.0%) was in Wales
- EPRA Occupancy rate of 80.0% (31 December 2022: 83.4%)
- The Company submitted its Third Global Real Estate Sustainability Benchmark ("GRESB") assessment resulting in an increased score to 66 from 60

Post period end

Disposals

- Since 31 December 2023, the Company has completed eight disposals and two part sales for an aggregate total of £13.4m (before costs) in line with the 2023 year end valuation.

The current disposal programme comprises of 58 assets totalling c £130m:

- one disposal contracted for £405,000;
- 10 disposals totalling c. £22 million under offer and in legal due diligence;
- 9 further disposals totalling c. £20 million are in negotiation;
- 24 further disposals totalling c. £42 million are on the market; and
- 14 potential disposals totalling c. £46 million are being prepared for the market

Lettings

Since 1 January 2024, the Group has exchanged on four notable leases to new tenants totalling 45,891 sq. ft. amounting to £0.8m per annum ("pa") of rental income when fully occupied, achieving a rental uplift of 10.7% against December 2023 ERVs. In addition, five notable leases have renewal amounting to 90,418 sq. ft. and £1.3m per annum ("pa") of rental income, delivering a rental uplift of 5.2% against December 2023 ERVs.

Noteworthy new and renewed lease are set out below:

- **Clearblue Innovation Centre, Bedford** – SPD Development Co Ltd renewed its lease to September 2033, at a rental income of £825,000 pa (£14.18/ sq. ft.) on 58,167 sq. ft. of space.
- **The Foundation Chester Business Park, Chester** – GB Group Plc renewed its lease to July 2028, with a break option in July 2026, at a rental income of £289,500 pa (£18.21/ sq. ft.) on 15,902 sq. ft. of space.
- **Lightyear Building, Glasgow Airport, Glasgow** – Heathrow Airport Ltd has leased 15,154 sq. ft. of space until March 2039, with break option in 2034, at a rent of £264,618 pa (£17.46/ sq. ft.).
- **Park House, Bristol** – Serco Ltd has leased 10,035 sq. ft. of space until September

2031, with break option in 2029, at a rent of £230,000 pa (£22.92/ sq. ft.).

- **Oakland House, Manchester** – Please Hold (UK) Ltd has leased 10,926 sq. ft. of space until March 2029, with break option in 2027, at a rent of £147,501 pa (£13.50/ sq. ft.). Additionally, Please Hold (UK) Ltd renewed existing lease (5,450 sq. ft.) until March 2025, at a rent of £68,125 pa (£12.50/ sq. ft.).
- **Delta Business Park, Swindon** – Improve International Ltd has leased 9,776 sq. ft. of space until February 2034, with break option in 2029, at a rent of £185,744 pa (£19.00/ sq. ft.).
- **Equinox North, Almondsbury, Bristol** – Qualcomm Technologies Int Ltd renewed its lease to March 2029, with a break option in March 2027, at a rental income of £97,155 pa (£15.00/ sq. ft.) on 6,477 sq. ft. of space.
- **Cardiff Gate Business Park, Cardiff** – SMS Energy Services Ltd renewed its lease to February 2025 at a rental income of £61,908 pa (£14.00/ sq. ft.) on 4,422 sq. ft. of space.

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

2023 was another active period for the Company, in which we completed 88 new lettings, 7.1% above the Company's external valuer's estimated rental value (ERV) as at the 2023 year end. In addition, as part of the Company's asset disposal programme to reduce the LTV, disposals during the year amounted to £25m (net of costs).

Since 31 December 2023, the Company has completed eight disposals and two part sales for an aggregate total of £13.4m (before costs), in line with 2023 year end valuation. Currently, there are some 58 assets at various stages of disposal amounting to some £130m.

Significant preparatory work has been undertaken to date in respect of both the debt and equity options for the refinancing of the £50m August 2024 retail bond. We look forward to providing an update in due course."

Forthcoming Events

22 May 2024	2024 Q1 2024 Trading Update and Outlook Announcement
10 September 2024	Interim Results Announcement
13 November 2024	Q3 2024 Trading Update

- ENDS -

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ABOUT REGIONAL REIT

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 ARA Europe Private Markets Limited, the Investment Adviser.

Regional REIT's commercial property portfolio is comprised wholly of income producing UK assets and, predominantly, of offices located in the regional centres outside of the M25 motorway. The portfolio is geographically diversified, with 144 properties and 978 occupiers as at 31 December 2023, with a valuation of c.£700.7m.

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.

The Company's shares were admitted to the Official List of the UK's Financial Conduct Authority and to trading on the London Stock Exchange on 6 November 2015. For more information, please visit the Group's website at www.regionalreit.com.

Financial Key Points

Year Ended 31 December 2023

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

Portfolio Valuation	£700.7m (31 December 2022: £789.5m)
IFRS NAV per Share	59.3p (31 December 2022: 78.1p)
EPRA* NTA per Share	56.4p (31 December 2022: 73.5p)
EPRA* earnings per Share	5.2p (31 December 2022: 6.6p)
Dividend per Share	5.25p (31 December 2022: 6.6p)
Net Loan to Value Ratio**	55.1% (31 December 2022: 49.5%)
Weighted Average Cost of Debt**	3.5% (31 December 2022: 3.5%)
Weighted Average Debt Duration**	3.5 yrs (31 December 2022: 4.5 yrs)

The European Public Real Estate Association ("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.

* The European Public Real Estate Association (EPRA)

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

OPERATIONAL KEY POINTS

Year Ended 31 December 2023

Income focused with intensive asset management.

Properties	144
Units	1,483
Tenants	978
Rent Roll	£67.8m
Portfolio by region and sector (by value)	
England & Wales	83.8%
Office	92.1%
Property disposal proceeds (net of costs)	£25.0m
Number of properties	10
EPRA Occupancy by ERV*	80.0%
WAULT to expiry	4.7 yrs
WAULT to first break by ERV*	2.8 yrs

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

Performance Key Points

Year ended 31 December 2023

A key focus on delivering high dividend distributions to shareholders.

Dividends declared per Share	Pence per share
2023	5.25
2022	6.60
2021	6.50
2020	6.40
2019	8.25
2018	8.05
2017	7.85
2016	7.65
2015	1.00
Total EPRA Return (from IPO) (EPRA NTA and dividend declared)	Pence per share
Dec 2023	112.7
Dec 2022	124.2
Dec 2021	141.2
Dec 2020	136.3
Dec 2019	142.9

Dec 2018	137.5
Dec 2017	119.9
Dec 2016	113.2
Dec 2015	107.8
IPO Nov 2015	100.0
EPRA Total Return attributable to Shareholders since Admission [^]	12.7%
EPRA Annual Total Return attributable to Shareholders	1.5%

[^]Admission: 6 November 2015.

Member of FTSE All-Share Index since March 2016.

Member of FTSE EPRA NAREIT UK Index since June 2016.

Terms are defined in the Glossary of Terms in the Annual Report.

CHAIRMAN'S STATEMENT

"In a challenging environment for REITs, the Company maintained a resilient operational performance, which was underpinned by the asset and property management teams who continue to provide vibrant spaces, allowing our tenants to thrive over the long term."

Kevin McGrath, Chairman

Overview

In a challenging environment for REITs, the Company continued to see a rise in tenants' return to the office with an average of 4.1 days per week and increased space enquiries across the portfolio. The Asset Manager's survey showed an increased 71.4% active office occupation* across the portfolio (June 2023: 65.4%) and that current active occupation is 102% of the pre-pandemic occupancy levels and is expected to grow further. However, the Company was not immune from the wider macro-economic environment with inflation continuing to impact costs and in-turn potential occupiers taking a 'wait and see' position on office requirement or downsizing in the near-term, reflected in EPRA earnings reducing to 5.23p (31 December 2022: 6.6p) with a dividend per share of 5.25p (31 December 2022: 6.6p).

The near-term focus of the Board has been upon the maturity of the £50.0m 4.5% Retail Eligible Bond maturing in August 2024. At the date of this statement, the Board's election of the most appropriate refinancing option is still subject to commercial and practical considerations, though significant progress has been made with the options being considered.

In the challenging 'higher for longer' interest rate environment, real estate values across most sectors were impacted but the Company outperformed against a -17.4% decline for the MSCI Rest of UK offices Index. Against this backdrop initiatives undertaken by the Asset Manager mitigated some of the wider valuation decrease. However, the Company's portfolio still decreased in value by 11.2% to £700.7 million (31 December 2022: £789.5m); after adjusting for acquisitions, disposals and capital expenditure, reflecting a decrease of 9.3% on a like-for-like basis.

During 2023, the Company continued to make strides towards reducing the Company's LTV with the continued asset disposal programme. Though market conditions continued to be constrained with limited transactional activity, selected disposals were achieved of non-core assets amounting to £25.0 million (net of costs) and net initial yields of 4.5% (7.9% excluding vacant units). In addition, the rolling capital expenditure programme continued to be executed, partially mitigating the wider market valuation decline and being targeted at non- speculative

earnings accretive projects. In the year, the rolling programme amounted to £10.2 million (net after costs) (31 December 2022: £10.0m). No acquisitions were transacted in 2023 reflecting our focus on de-risking the offering in the short to medium term.

Rent roll remained robust at £67.8m (2022: £71.8m) and the EPRA occupancy stands at 80% (2022: 83.4%). As of 31 December 2023, the net initial yield on the portfolio was 6.2% (2022: 6.0%). The fully occupied rental income was estimated at ERV £87.0m (2022: £92.0m) with an equivalent yield of 9.9% (2022: 9.0%).

The Company continues to enjoy robust levels of rental collection, reaching 99.0% for the period up to 15 March 2024 (2022: equivalent period 98.7%).

* If a company has 100 desks then on average during business hours 71.4% of desks would be actively occupied, with the balance unoccupied due to absences from holidays, illness, or out of the office on business.

5.25pps 2023 Dividend (2022: 6.60pps)

£234.5 million of dividends have been declared since inception

£700.7 million Portfolio Valuation

Financial Resources

The Company's EPRA NTA reduced to £290.8 million (IFRS NAV: £306.1 million) as at 31 December 2023, down from £379.2 million (IFRS NAV: £402.9 million) as at 31 December 2022. This was the result of the previously mentioned investment property portfolio revaluation which reflected the challenging market environment. We retained a strong cash balance of £34.5 million as of 31 December 2023 (31 December 2022: £50.1 million), of which £30.2 million is unrestricted (31 December 2022: £41.3 million).

The debt position comprising of 100.0% fixed and hedged interest rate debt, meant the Company was able to mitigate rate volatility and ensured the weighted average cost of debt remained stable at 3.5% at the end of 2023 (31 December 2022: 3.5%). As previously mentioned, the maturity of the £50m 4.5% Retail Eligible Bond in August 2024, has been a particular focus of the Board. The most appropriate refinancing option is still subject to commercial and practical considerations, though significant preparatory work has been undertaken to date in respect of both the debt and equity options, which remain under active consideration.

The challenging real estate valuation environment in 2023 resulted in net borrowings Net Loan-to-Value (LTV) of 55.1% as of 31 December 2023, up from 49.5% on 31 December 2022. The Company continues to execute its disposal programme and active asset management initiatives to reduce the LTV to our long-term target of approximately 40%.

Sustainability

I am delighted to share the considerable progress made by the ESG working party throughout the year, leading to a 10% improvement in the Company's Global Real Estate Sustainability Benchmark (GRESB) from 60 to 66, achieving two Green Star Status. Furthermore, we have seen enhancements in our EPRA sustainability accreditation and EPC ratings across the portfolio. EPC ratings of C+ reached 73.7% (compared to 55.9% on 31 December 2022), and EPC B plus and Exempt increased to 42.1% (compared to 23.6% on 31 December 2022). This

brings us closer to achieving the Minimum Energy Efficiency Standard ('MEES') target of EPC B, well in advance of 2030.

The Company conducted a baseline exercise to assess the carbon performance and form a 1.5-degree carbon pathway. With this we plan to develop asset level action plans to address risks. For 2024 we plan to expand the effort in occupier data collection so our baseline and 1.5-degree pathway can be undertaken with greater accuracy. The end goal for 2024 is to be able to develop a science-based target initiative (SBTI) aligned target.

Market Environment

Investment in commercial property amounted to £36.7 billion during 2023, according to research by Lambert Smith Hampton ("LSH"), 34.5% below the volumes recorded in 2022, and 23.5% below the five-year average. However, improving investment volumes in the final quarter suggest the market bottomed out in 2023, signalling the early stages of an upward trend and a reason to be optimistic moving into 2024.

Overall, investment in regional offices, throughout the UK reached £2.4 billion in 2023, and although investment in regional offices across 2023 was 40.2% below trend, optimism in the regional markets continues to be supported by strong employment levels and a fall in the number of employees exclusively working from home. As demonstrated with Q4 2023 investment volumes being 62.1% higher than the previous quarter, reaching £0.8 billion.

According to monthly data from MSCI, rental value growth held up well for the rest of UK office markets in the 12 months ended December 2023 with growth of 2.3%. Conversely, central London offices experienced modest growth of 1.7% over the same period.

Dividends

The dividend continues to represent a significant component of total shareholder returns. Over the period under review, the Company declared total dividends of 5.25pps (2022: 6.6pps), ensuring compliance with the HMRC REIT regime. Since inception, the Company has declared dividends amounting to 57.55pps and to date the Company has distributed c.£234 million in dividends.

Performance

For the period under review, the Company's total shareholder return was -31.7%, versus the return of 10.7% for the FTSE EPRA NAREIT UK Total return Index over the same period.

The EPRA total return from listing on 6 November 2015 was 12.7% (2022: 24.2%) and the annualised EPRA Total Return was 1.5% p.a. (2022: 3.1% p.a.). Total Shareholder Return was -30.7%, versus the FTSE EPRA NAREIT UK Total Return Index of -8.1%.

Management Agreements

The Board announced on 13 April 2023 that ARA Asset Management Limited acquired a majority shareholding in London & Scottish Property Investment Management ("Asset Manager"), with Stephen Inglis retaining a significant minority interest. All the Asset Manager's staff remained unchanged, including Stephen Inglis as CEO of the Asset Manager, which ensured that there was no disruption to the services provided to Regional REIT.

The Board announced on 11 October 2023 that ARA Europe Private Markets Limited ("ARA Europe"), was appointed as the Company's Investment Adviser, having acquired the role from

Toscafund Asset Management LLP (“Toscafund”).

The Board believes the appointment of ARA Europe will enhance the overall strength and capabilities to the benefit of the Company's long-term strategy.

Both of the management agreements continue on the existing terms to November 2026. Toscafund remains the Company's Alternative Investment Fund Manager (“AIFM”) on an interim basis until ARA receives its AIFM licence.

Annual General Meeting

The notice for the 2024 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.

All Directors will stand for re-election at the 2024 AGM in accordance with the Company's articles and the AIC Code. The Directors ensure that they maintain their continuing professional development in accordance with the requirements of their respective professions as well as receiving briefings from the Company Secretary and other advisers on a regular basis.

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 satisfaction of our tenants and other stakeholders will influence our performance. Our objective is to consistently provide exceptional working environments, catering to diverse needs, whether it be a small flexible unit or a prominent corporate headquarters, fostering an environment where our tenants can flourish.

Active involvement with our tenants is a pivotal aspect of our asset management initiatives, enabling us to grasp their requirements and recognise both opportunities and challenges. We actively encourage transparent and collaborative communication with our tenants, fostering an environment that facilitates continuous enhancement of our workspaces and ensures mutual advantages. This collaborative approach extends to our stakeholders, aiming to enhance our operational efficiency.

The Company welcomes engagement with its shareholders and more details on the Company can be found on the Company's website www.regionalreit.com. Further information on Shareholder and stakeholder engagement can be found in the full Annual Report.

Outlook

Although the economic activity in the UK regions continues to improve, the Board expects the macroeconomic challenges to remain in the near term, particularly around the availability of funding, given the prolonged monetary policy tightening. Operationally, the Company continues to perform well, delivering against the factors which are within its control, as demonstrated by the robust rent collections.

The Board's focus remains to continue to offer vibrant spaces to enable our current and future tenants the ability to grow and thrive, leading to increased occupancy and in-turn a reduction

in the carrying costs associated with the vacant space. We look forward to growing the portfolio's rent roll which underpins the quarterly dividend distributions; and the execution of the Company's asset management plans to drive property values over the long term.

Kevin McGrath

Chairman

25 March 2024

ASSET MANAGER AND INVESTMENT ADVISER'S REPORT

"2023 was another active period for the Company, in which we completed on 88 new lettings, 7.1% above ERV. Additionally, the Company disposed of £25 million of assets to support the balance sheet and reduce the Company's LTV."

Stephen Inglis

**CEO of London & Scottish Property Investment Management,
Asset Manager**

Overview

2023 saw a continuation of the challenging market environment for REITs that we witnessed throughout 2022. The sector continued to be sentiment driven, as cautious investors shunned areas of the commercial property sector they deemed less attractive. The office market once again faced the brunt of the storm, which was reflected in the Company's portfolio valuation declining by 9.3% from 31 December 2022 to 31 December 2023 on a like-for-like basis, albeit this was considerably better than the 17.4% decline for the MSCI Rest of UK offices Index. This resulted in a further increase in our LTV, which reached 55.1% at the end of the period. Whilst this is above our target, it's important to note that the debt position is comprised of 100% fixed and hedged interest rate debt with the weighted average cost of debt remaining stable at 3.5% at the end of 2023.

The Company is taking steps to reduce the LTV back to the approximate 40% target and has disposed of certain assets whilst halting acquisition activity. During the year, the Company disposed of assets totalling £25m, reflecting an average net initial yield of 4.5%.

Operational performance was robust with 88 new lettings completed in 2023, totalling 242,908 sq. ft., which, when fully occupied, will provide a gross rental income of c. £3.8 million and equates to the average rent by sq. ft. of £15.70.

Furthermore, rent collection has once again remained strong, with 99.0% achieved at FY 23, better than previous reporting periods. This can be attributed to our careful selection of tenants with investment grade credit which can be relied upon throughout the most challenging economic cycles.

In addition, at the time of writing the Company has been focused upon identifying refinancing options for the near term maturity of the Retail Eligible Bond in August 2024, which are the most appropriate both commercial and practical for the Company.

Key Points from 2023

- **High level of rent collection**
Achieved a high level of rent collection. As at 15 March 2024, rent collection continued to strengthen, with FY 2023 collections increasing to 99.0%, adjusting for monthly rent and agreed collections plans, which is similar to the equivalent date in 2023 when 98.7% had been collected.
- **88 new lettings**
Completed 88 new lettings in 2023, totalling 242,908 sq. ft., which when fully occupied will provide a gross rental income of c. £3.8 million.
- **£25.0 million of disposals**
Disposals during 2023 totalled £25.0 million (net of costs), reflecting an average net initial yield of 4.5% (7.9% excluding vacant properties).
- **Increase in average rent**
Average rent by let sq. ft. increased by 1.3% from £13.65 per sq. ft. in December 2022 to £13.82 per sq. ft. in December 2023. 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 5.9% from 30 June 2023 to 31 December 2023 after adjusting for capital expenditure, acquisitions and disposals during the period (5.5% excluding capital expenditure adjustment). MSCI monthly data shows capital value decline of 11.0% for rest of UK offices over the same period.
- **Increase in GRESB Score**
The Company submitted its Third Global Real Estate Sustainability Benchmark ("GRESB") assessment resulting in an increased score of 66 from 60.

Investment Activity in the UK Commercial Property Market

2023 proved to be a challenging year for investment in the UK commercial property market, with overall investment in commercial property of £36.7 billion during 2023, according to research by Lambert Smith Hampton ("LSH")¹, 34.5% below the volumes recorded in 2022, and 23.5% below the five-year average. However, improving investment volumes in the final quarter suggest the market bottomed out in 2023, signalling the early stages of an upward trend and a reason to be optimistic moving into 2024. Investment volumes in the final quarter of 2023 reached £10.2 billion, up 13.8% on the previous quarter and the highest level recorded since Q3 2022. Investment in Q4 2023 pushed H2 2023 investment volumes £19.1 billion, 8.2% above the first half of 2023. Additionally, Savills research suggests that optimism for the future can be derived from the anticipated fall in the UK base rate in the second half of 2024, which is expected to result in opportunistic buying in 2024.

The UK regions outside of London attracted £3.7 billion of investment in Q4 2023, 17.0% above the previous quarter, but 14.5% lower than the five-year quarterly average. Investment in Q4 brought the annual 2023 total to £13.3 billion, 22.5% below the level recorded in 2022. Research by LSH highlights the importance of the regional markets, with the regions outperforming when compared with London. At £2.7 billion, investment in single assets across the UK regional markets in Q4 2023 was 34.7% higher than the level of investment in Greater London - well above the five-year quarterly average margin of 5.2%. Two regions that experienced robust levels of investment in 2023 were the South East and North West of England. Total investment in the South East reached £2.9 billion. Data from LSH shows that £2.4 billion was the investment in the North West of England. It is worth noting that the only regional market that recorded investment volumes above the five-year average was the West

Midlands with annual investment of £2.1 billion in 2023.

Investment volumes in the UK regional office market reached £0.8 billion in Q4 2023, 62.1% higher than the previous quarter. Overall, investment in regional offices reached £2.4 billion in 2023. Although investment in regional offices in 2023 was 40.2% below trend, optimism in the regional markets continues to be supported by strong employment levels and a fall in the number of employees exclusively working from home. The most recent data from the ONS shows that the UK employment rate remained steady at 75.0% in the three months to December 2023². Additionally, data from the ONS shows that despite the rise in hybrid working as a result of Covid-19, the vast majority of people do not work from home, with only 12% of workers reporting that they worked exclusively from home - down from 26% in mid-January 2022. Additionally, those aged 16 to 29 were less likely to exclusively work from home with only 6% stating that they did not travel to work³.

¹ Lambert Smith Hampton, UKIT Q4 2023

² Labour Market Overview, UK, December 2023

³ ONS, Public Opinions and social trends, Great Britain: 17 to 29 March 2023, June 2023

Overseas investment in the UK property market accounted for just under half (48.8%) of total investment in 2023, according to data from LSH. LSH estimates that total overseas investment in 2023 reached £17.2 billion, 32.8% lower than 2022 volumes and 25.1% below the five-year average. However, improved investment volumes in the final quarter of 2023 reflects international investors' confidence in UK commercial property. Overseas investment in Q4 2023 amounted to £5.1 billion, 39.4% above Q3 levels, but 16.1% below the five-year quarterly average. International investors were net buyers in Q4 for the fourth consecutive quarter with net purchasing of £2.9 billion - c. 13% above trend. It is worth noting that overseas investment was largely supported by North American buyers with the largest share of international inflows in Q4 for the sixth successive quarter.

LSH research highlights that North American investors purchased £1.9 billion of UK commercial real estate in Q4 2023. Additionally, Middle Eastern investors purchased £0.8 billion in the final quarter of 2023, the highest quarterly volume over the last three years.

Occupational Demand in the UK Regional Office Market

Avison Young estimates that take-up of office space across nine regional office markets⁴ totalled 7.1 million sq. ft. in 2023; 11.7% below the level of take-up recorded in 2022 and 6.0% lower than the 5-year average. That said, it is worth noting that take-up in 2023 was 24.9% above the level reported in 2020. Take-up in the final quarter of 2023 was 1.4% above the five-year average at 1.9 million sq. ft., marking the highest quarterly take-up figure in 2023. Approximately 63.2% of take-up in Q4 2023 was transacted in city centres, with 36.8% transacted in the out of town market - both the city centre and out of town markets were in-line with the quarterly trend in Q4 2023. Avison Young highlights that occupiers have increasingly sought greater quality space to attract and retain talent.

Occupational demand was driven by the professional sector, which accounted for the highest proportion of take-up at 23.4% in 2023. Following the professional sector, the public services, education & health sector and technology, media & telecoms sector accounted for the second and third largest proportion of take-up in the regional cities, accounting for 16.1% and 15.4% respectively. Research from Savills shows that these sectors were also the most active sectors pre-covid from 2015 to 2019⁵.

According to data from CoStar, there was an increase in availability for all regional office stock with total supply rising by 2.4% in 2023 to 82.0 million sq. ft. However, it is worth highlighting that supply remains 2.0% below the 10-year average. Availability for prime office stock experienced a larger increase when compared to the previous year, increasing by 2.7% compared to 2.3% for secondary office stock. According to Savills the overall vacancy rate regional offices across ten regional UK markets⁶ ticked upwards from 12.4% in 2022 to 13.0% in 2023, 2.8% below the long-term average⁷.

Furthermore, it is estimated that approximately 4.2 million sq. ft. of office space is currently under construction in the Big Nine regional markets, with Manchester, Bristol and Glasgow accounting for 24.8%, 22.7% and 12.6%, respectively. Approximately 30.2% of office buildings currently under construction are already pre-let. Additionally, 3.3 million sq. ft. (78.7%) is due to complete in 2024.

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 the market bottomed out in 2023, signalling the early stages of an upward trend and a reason to be optimistic moving into 2024.

⁴ Nine regional office markets mentioned by Avison Young include: Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester & Newcastle

⁵ Savills: The Regional Office Market Overview, Q4 2023

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

Rental Growth in the UK Regional Office Market

According to monthly data from MSCI, rental value growth held up well for the rest of UK office markets in the 12 months ended December 2023 with growth of 2.3%. Conversely, central London offices experienced modest growth of 1.7% over the same period⁸. The most recent figures from MSCI shows that there is evidence of sustained rental growth in the majority of the regional office markets. According to the monthly MSCI digest index, Rest of UK and Mid-Town & West End offices recorded the strongest rental growth in December 2023. Avison Young expects rental growth to continue across most markets for the remainder of 2024 and 2025⁹. Demand for quality office space has put an upward pressure on rents, with growth of 5.0% recorded across the Big Nine regional markets in 2023, 27.2% above the five-year average rental growth figure. Average headline rents now sitting at £36.50 per sq. ft., according to research from Avison Young.

Research from Savills highlights that optimism in occupational markets is set to be driven by limited development starts in 2023 and 2024, which in turn will cause downward pressure on vacancy rates and result in rental growth. Moreover, rental growth and positivity surrounding exit yields will reinstate confidence among not only opportunistic investors but a more diverse range of investors in 2025. Subsequently, this will trigger yield recovery that mirrors the kind of recovery witnessed in previous cycles, according to Savills¹⁰.

Regional REIT's Office Assets

EPRA occupancy of the Group's regional offices declined to 79.2% (2022: 82.8%). A like-for-like comparison of the Group's regional offices' EPRA occupancy, as at 31 December 2023 versus 31 December 2022, shows occupancy of 79.2% (2022: 84.2%). WAULT to first break was 2.6 years (2022: 2.7 years); like-for-like WAULT to first break of 2.6 years (2022:

2.7 years).

⁸ MSCI, Colliers, UK Property Snapshot, February 2024

⁹ Avison Young, Big Nine Q4 2023, February 2024

¹⁰ Savills, Market in Minutes, January 2024

Property Portfolio

As at 31 December 2023, the Group's property portfolio was valued at £700.7 million (2022: £789.5 million), with rent roll of £67.8 million (2022: £71.8 million), and an EPRA occupancy of 80.0% (2022: 83.4%).

On a like-for-like basis, 31 December 2023 versus 31 December 2022, EPRA occupancy was 80.0% (2022: 84.7%).

There were 144 properties (2022: 154) in the portfolio, with 1,483 units (2022: 1,552) and 978 tenants (2022: 1,076). If the portfolio was fully occupied at Colliers International Property Consultants Ltd's view of market rents, the rental income would be £87.0 million per annum as at 31 December 2023 (2022: £92.0 million).

As at 31 December 2023, the net initial yield on the portfolio was 6.2% (2022: 6.0%), the equivalent yield was 9.9% (2022: 9.0%) and the reversionary yield was 10.8% (2022: 10.2%).

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)	Capital rate (£psf)	Net Initial Yield (%)	Equivalent yield (%)	Reversionary yield (%)
Office	122	645.0	92.1	5.5	79.2	2.6	61.9	14.72	81.6	117.14	6.1	10.0	11.0
Retail	15	21.9	3.1	0.3	93.6	3.5	2.9	11.55	2.4	81.93	8.9	9.2	9.5
Industrial	4	22.1	3.2	0.4	86.2	5.0	1.9	5.27	2.1	52.76	5.9	7.6	8.0
Other	3	11.7	1.7	0.1	100.0	10.3	1.1	12.36	0.9	120.86	7.1	8.5	7.0
Total	144	700.7	100.0	6.3	80.0	2.8	67.8	3.82	87.0	111.40	6.2	9.9	10.8

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)	Capital rate (£psf)	Net Initial Yield (%)	Equivalent yield (%)	Reversionary yield (%)
Scotland	33	113.8	16.2	1.2	72.4	4.0	10.7	13.31	16.5	98.62	5.1	10.4	11.7
South East	26	126.5	18.1	0.9	83.7	2.1	12.3	16.46	15.5	135.77	6.4	9.6	10.6
North East	21	112.5	16.0	1.0	77.2	3.0	9.8	13.03	13.1	113.59	5.4	9.7	10.5
Midlands	26	142.7	20.4	1.4	85.2	3.1	15.2	13.29	17.8	101.40	6.4	9.9	10.9
North West	18	97.7	13.9	0.9	73.4	2.0	9.1	13.50	12.1	108.71	5.9	10.0	11.1
South West	14	69.8	10.0	0.5	85.9	2.1	6.7	16.81	7.9	147.44	8.3	10.0	10.6
Wales	6	37.8	5.4	0.4	90.4	3.5	3.8	10.22	4.0	86.85	7.9	8.8	9.1
Total	144	700.7	100.0	6.3	80.0	2.8	67.8	13.82	87.0	111.40	6.2	9.9	10.8

* Tables may not sum due to rounding

Top 15 Investments (market value) as at 31 December 2023

Property	Sector	Anchor tenants	Market value (£m)	% of portfolio	Lettable area (sq ft)	EPRA Occupancy (%)	Annualised gross rent (£m)	% of gross rental income	WAULT to first break (years)
300 Bath Street, Glasgow	Office	University of Glasgow, Glasgow Tay House Centre Ltd, Fairhurst Group LLP, London & Scottish Property Investment Management	19.4	2.8%	156,853	87.2%	1.2	1.8%	1.9
Hampshire Corporate Park, Eastleigh	Office	Aviva Central Services UK Ltd, Lloyd's Register EMEA, Complete Fertility Ltd, Silverstream Technologies (UK)Ltd	19.0	2.7%	84,043	100.0%	1.8	2.7%	3.2
Eagle Court, Coventry Road, Birmingham	Office	Virgin Media Ltd, Rexel UK Ltd	18.8	2.7%	132,416	62.8%	1.3	1.9%	3.4
Beeston Business Park, Nottingham	Office/ Industrial	Metropolitan Housing Trust Ltd, SMS Electronics Ltd, Heart Internet Ltd SMS Product Services Ltd	16.5	2.3%	215,330	78.6%	1.4	2.1%	4.6
Norfolk House, Smallbrook Queensway, Birmingham	Office	Global Banking School Ltd, Accenture (UK) Ltd	16.3	2.3%	118,530	98.9%	1.9	2.9%	6.8
800 Aztec West, Bristol	Office	NNB Generation Company (HPC) Ltd, EDF EPR Engineering UK Ltd	16.3	2.3%	73,292	100.0%	1.5	2.3%	1.2

Manchester Green, Manchester	Office	Chiesi Ltd, Ingredion UK Ltd, Assetz SME Capital Ltd, Contemporary Travel Solutions Ltd	16.3	2.3%	107,760	79.3%	1.4	2.1%	2.7
Orbis 1, 2 & 3, Pride Park, Derby	Office	First Source Solutions UK Ltd, DHU Health Care C.I.C., Tentamus Pharma (UK) Ltd	14.8	2.1%	121,883	100.0%	1.8	2.7%	3.4
Capitol Park, Leeds	Office	Hermes Parcelnet Ltd, BDW Trading Ltd	13.4	1.9%	98,340	41.6%	0.7	1.1%	4.1
Linford Wood Business Park, Milton Keynes	Office	IMServ Europe Ltd, Aztech IT Solutions Ltd, Autotech Recruit Ltd	13.3	1.9%	107,352	79.9%	1.3	2.0%	1.8
Oakland House, Manchester	Office	Please Hold (UK) Ltd, A.M.London Fashion Ltd, CVS (Commercial Valuers & Surveyors) Ltd	13.1	1.9%	161,502	74.3%	1.0	1.5%	1.9
Portland Street, Manchester	Office	Evolution Money Group Ltd, Mott MacDonald Ltd, NCG (Manchester) Ltd, Simard Ltd	13.0	1.9%	55,787	95.9%	1.1	1.6%	1.9
Lightyear - Glasgow Airport, Glasgow	Office	Rolls-Royce Submarines Ltd, Loganair Ltd, Cefetra Ltd, Taylor Wimpey UK Ltd	12.3	1.8%	73,499	88.4%	1.1	1.6%	4.7
Origin 1& 2 Crawley	Office	Knights Professional Services Ltd, DMH Stallard LLP, Spirent Communications Plc, Travelopia Holdings Ltd	11.7	1.7%	45,855	100.0%	1.1	1.6%	1.0

Buildings 2, Bear Brook Office Park, Aylesbury	Office	Utmost Life and Pensions Ltd, Musarubra UK Subsidiary 3 Ltd, Agria Pet Insurance Ltd	10.9	1.5%	61,642	94.5%	1.0	1.5%	3.5
Total			224.9	32.1%	1,614,084	84.6%	19.7	29.1%	3.2

* Tables may not sum due to rounding

Top 15 Tenants (share of rental income) as at 31 December 2023

Tenant	Property	Sector	WAULT to first break (years)	Lettable area (sq ft)	Annualised gross rent (£m)	% of gross rental income
EDF Energy Ltd	800 Aztec West, Bristol Endeavour House, Sunderland	Electricity, gas, steam and air conditioning supply	4.3	109,114	1.7	2.5%
Global Banking School Ltd	Norfolk House, Smallbrook Queensway, Birmingham	Education	8.5	73,628	1.4	2.1%
Shell Energy Retail Ltd	Columbus House, Coventry	Electricity, gas, steam and air conditioning supply	0.0	53,253	1.4	2.0%
Virgin Media Ltd	Eagle Court, Coventry Road, Birmingham Southgate Park, Peterborough	Information and communication	3.4	75,309	1.3	2.0%
Secretary of State for Communities & Local Government	1 Burgage Square, Merchant Square, Wakefield Albert Edward House, Preston Bennett House, Stoke-On-Trent Oakland House, Manchester Waterside Business Park, Swansea	Public sector	3.6	108,915	1.1	1.6%
First Source Solutions UK Ltd	Orbis 1, 2 & 3, Pride Park, Derby	Administrative and support service activities	3.3	62,433	1.0	1.5%

E.ON UK Plc	Two Newstead Court, Nottingham	Electricity, gas, steam and air conditioning supply	1.3	99,142	0.9	1.4%
NNB Generation Company (HPC) Ltd	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	1.6	41,743	0.9	1.3%
SPD Development Co Ltd	Clearblue Innovation Centre, Bedford	Professional, scientific and technical activities	1.8	58,167	0.8	1.2%
Aviva Central Services UK Ltd	Hampshire Corporate Park, Eastleigh	Other service activities	0.9	42,612	0.8	1.1%
Odeon Cinemas Ltd	Kingscourt Leisure Complex, Dundee	Information and communication	11.8	41,542	0.8	1.1%
Care Inspectorate	Compass House, Dundee Quadrant House, Dundee	Public Sector	4.3	51,852	0.7	1.0%
SpaMedica Limited	1175 Century Way, Thorpe Park, Leeds Albert Edward House, Preston Fairfax House, Wolverhampton Southgate Park, Peterborough The Foundation Chester Business Park, Chester	Human health and social work activities	2.5	40,529	0.6	0.9%
University of Glasgow	300 Bath Street, Glasgow	Education	0.7	29,885	0.6	0.9%
Homeserve Membership Ltd	1175 Century Way, Thorpe Park, Leeds Aspect House, Bennerley Road, Nottingham	Construction	2.7	37,818	0.6	0.9%
Total			3.5	925,942	14.5	21.5%

*Tables may not sum due to rounding.

Property Portfolio Sector and Region Splits by Valuation and Income as at 31 December 2023

By Valuation

As at 31 December 2023, 92.1% (2022: 91.8%) of the portfolio by market value was offices and 3.1% (2022: 3.6%) was retail. The balance was made up of industrial, 3.2% (2022: 3.1%) and other, 1.7% (2022: 1.4%). By UK region, as at 31 December 2023, Scotland represented 16.2% (2022: 16.7%) of the portfolio and England 78.4% (2022: 78.3%); the balance of 5.4% (2022: 5.0%) was in Wales. In England, the largest regions were the Midlands, the South East and the North East.

By Income

As at 31 December 2023, 91.3% (2022: 91.5%) of the portfolio by income was offices and 4.2% (2022: 4.5%) was retail. The balance was made up of industrial, 2.8% (2022: 2.6%), and other, 1.7% (2022: 1.3%). By UK region, as at 31 December 2023, Scotland represented 15.8% (2022: 16.5%) of the portfolio and England 78.6% (2022: 78.2%); the balance of 5.6% was in Wales (2022: 5.3%). 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 (2022: 4.7 years); WAULT to first break is 2.8 years (2022: 3.0 years). As at 31 December 2023, 15.9% (2022: 14.5%) of income was from leases, which will expire within one year, 10.7% (2022: 14.0%) between one and two years, 33.3% (2022: 29.5%) between two and five years and 40.1% (2022: 42.0%) after five years.

Lease Expiry Income Profile

% of rent

0-1 years	15.9%
1-2 years	10.7%
2-5 years	33.3%
5+ years	40.1%
Total	100.0%

Source: LSPIM

Tenants by Standard Industrial Classification as at 31 December 2023

As at 31 December 2023, 12.2% of income was from tenants in the information and communication sector (2022: 12.2%), 11.5% from the Professional, scientific and technical activities sector (2022: 14.2%), 10.4% from the administrative and support service activities sector (2022: 11.3%), 8.7% from the financial and insurance activities sector (2022: 9.4%) and 8.0% from the wholesale and retail trade (2022: 8.3%). The remaining exposure is broadly spread.

No tenant represents more than 2.5% of the Group's rent roll as at 31 December 2023, the largest being 2.5% (2022: 2.4%).

Financial Review

Net Asset Value

In the year ended 31 December 2023, the EPRA NTA* of the Group decreased to £290.8 million (IFRS NAV: £306.1 million) from £379.2 million (IFRS NAV: £402.9 million) as at 31 December 2022, equating to a decrease in the diluted EPRA NTA of 17.1pps to 56.4pps (IFRS: 59.3pps). This

is after the dividends declared in the year amounting to 5.70pps.

The EPRA NTA decrease of £88.4 million since 31 December 2022 was predominately due to a £73.3 million reduction in the revaluation of the property portfolio held as at 31 December 2023; £13.0m from the accounting treatment being amended in accordance with IAS 40 paragraph 50, recognising the prepayment cannot be recovered when the investment properties are sold (see Note 3.1.1 below); and £0.7 million realised loss on the disposal of properties.

The investment property portfolio valuation as at 31 December 2023 amounted to £700.7 million (2022: £789.5 million). The property valuation decrease since the December 2022 year end is a reflection of £73.3 million in property revaluation, £25.0 million of net property disposals and loss on the disposals of £0.7 million, offset by subsequent expenditure of £10.2 million.

Overall, on a like-for-like basis, the portfolio value decreased by 9.3% during the year.

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

	Year ended 31 December 2023 (£m)	Year ended 31 December 2022 (£m)
Acquisitions		
Net (after costs)	0.1	79.3
Gross (before costs)	0.0	74.7
Disposals		
Net (after costs)	25.0	84.1
Gross (before costs)	26.1	90.0
Capital Expenditure		
Net (after dilapidations)	10.2	10.0
Gross (before dilapidations)	11.0	10.9

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

The EPRA NTA per share decreased to 56.4pps (2022: 73.5pps). The EPRA NTA is reconciled in the table below:

	£m	Pence per Share
Opening EPRA NTA (31 December 2022)	379.2	73.5
Net rental and property income	53.7	10.4
Administration and other expenses	(10.6)	(2.1)
Loss on the disposal of investment properties	(0.7)	(0.1)
Change in the fair value of investment properties	(86.4)	(16.7)
Change in value of right of use	(0.1)	(0.0)
EPRA NTA after operating loss	335.1	65.0
Net finance expense	(16.1)	(3.1)
Realised gain on derivative financial instruments	1.2	0.2
Taxation	0.0	0.0
EPRA NTA before dividends paid	320.2	62.1
Dividends paid	(29.4)	(5.7)

Table may not sum due to rounding

As at 31 December 2023, the total number of Shares in issue are 515,736,583.

Income Statement

Operating profit before gains and losses on property assets and other investments for the year ended 31 December 2023 amounted to £43.1 million (2022: £51.2 million). Loss after finance and before taxation of £67.5 million (2022: loss £65.2 million). 2023 included the rent roll for properties held from 31 December 2022, plus the partial rent roll for properties disposed of during the year.

Rental and property income amounted to £70.1 million, excluding recoverable service charge income and other similar items (2022: £76.3 million), due to a decrease in the rent roll being held during the year to 31 December 2023.

More than 80% of the rental income was collected within 30 days of the due date and the allowance for doubtful debts in the year amounted to a £0.5 million (2022: release of £0.4 million).

Non-recoverable property costs, excluding recoverable service charge income and other similar costs, amounted to £16.4 million (2022: £13.7 million), and the rent roll amounted to £67.8 million (2022: £71.8 million).

Realised losses on the disposal of investment properties amounted to £0.7 million (2022: loss £8.6 million). The loss on the disposals were from the aggregate disposal of 10 properties and four part sales 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 £73.3 million (2022: loss of £113.2 million), and an adjustment of £13.0m from rent smoothing, due to the Group now recognising the fair value of investment property as equal to the independent property valuer's valuation of £700.7m, which is presented net of the prepayments arising from rent smoothing.

Net capital expenditure amounted to £10.3 million (2022: £10.0 million). The gain on the disposal of the right of use assets amounted to nil million (2022: £0.1 million). The change in value of right of use assets amounted to a charge of £0.1 million (2022: charge £0.2 million).

Interest income amounted to £0.1 million (2022: £0.1 million).

Finance expenses amount to £16.2 million (2022: £17.3 million). The decrease is due to £20.0m of net borrowings being repaid during 2023.

The EPRA* cost ratio, including direct vacancy costs, was 38.5% (2022: 32.8%). The increase in the cost ratio is ostensibly a reflection of the increase in Other property expenses and irrecoverable costs. The EPRA cost ratio, excluding direct vacancy costs was 16.4% (2022: 16.2%). The ongoing charges for the year ending 31 December 2023 were 7.5% (2022: 5.3%) and 3.2% excluding void costs (2022: 2.6%).

The EPRA Total Return from Listing to 31 December 2023 was 12.7% (2022: 24.2%), with an annualised rate of 1.5% pa (2022: 3.1% pa).

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

Dividend

In relation to the year from 1 January 2023 to 31 December 2023, the Company declared dividends

totalling 5.25pps (2022: 6.60pps). Since the end of the year, the Company has declared a dividend for the fourth quarter of 2023 of 1.20pps. A schedule of dividends can be found in note 13 below.

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 two to six years. The weighted average maturity of the bank debt and retail eligible bond is 3.5 years (2022: 4.5 years).

The Group's borrowing facilities are with: the Royal Bank of Scotland, Bank of Scotland and Barclays; Scottish Widows Ltd. & Aviva Investors Real Estate Finance; Scottish Widows Ltd. and Santander UK. The total bank borrowing facilities at 31 December 2023 amounted to £370.8 million (2022: £390.8 million) (before unamortised debt issuance costs). 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 2023 amounted to £420.8 million (2022: £444.9 million).

At 31 December 2023, the Group's cash and cash equivalent balances amounted to £34.5 million (2022: £50.1 million), of which £25.7 million (2022: £37.8 million) was unrestricted cash.

The Group's net loan to value ("LTV") ratio stands at 55.1% (2022: 49.5%) before unamortised costs. The Board continues to target a net LTV ratio of 40%.

Debt Profile and LTV Ratios as at 31 December 2023

Lender	Facility £'000	Outstanding debt* £'000	Maturity date	Gross loan to value** %	Annual interest rate %
Royal Bank of Scotland, Bank of Scotland & Barclays	122,221	122,221	Aug-26	54.5	2.40 over 3 months £ SONIA
Scottish Widows Ltd. and Aviva Investors Real Estate Finance	152,500	152,500	Dec-27	52.9	3.28 Fixed
Scottish Widows Ltd.	36,000	36,000	Dec-28	47.2	3.37 Fixed
Santander UK	60,029	60,029	Jun-29	52.1	2.20 over 3 months £ SONIA
	370,750	370,750			
Retail eligible bond	50,000	50,000	Aug-24	NA	4.50 Fixed
	420,750	420,750			

* Before unamortised debt issue costs

** Based on Colliers International Property Consultants Ltd.

Table may not sum due to rounding.

As at 31 December 2023, the Group had headroom against its borrowing covenants.

The net gearing ratio (net debt to Ordinary Shareholders' equity (diluted)) of the Group was 126.2% as at 31 December 2023 (2022: 96.9%).

Interest cover, excluding amortised costs, stands at 2.9 times (2022: 3.4 times) and including amortised costs, stands at 2.7 times (2022: 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 2023 %	31 December 2022 %
Borrowings interest rate hedged	100.0	100.9
Thereof:		
Fixed	56.7	56.9
Swap	28.6	27.8
Cap	14.7	16.2
WACD ¹	3.5	3.5

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

Table may not sum due to rounding

There is no over-hedged position as at 31 December 2023. The position was over-hedged as at 31 December 2022, 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 had 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 2023, the Group recognised a deferred tax charge of £8,431 (2022: tax credit of £5,570).

Principal Risks and Uncertainties

Effective risk management is embedded throughout Regional REIT and underpins the execution of the Company'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 recognises the importance of embedding a framework to identify, actively monitor, manage and mitigate its risks, which include, but are not limited to: strategic, valuation, healthcare, economic and political, funding, tenant, financial and tax charges, operational, regulatory, environmental risks and emerging risks.

The Board has overall responsibility for the Company's system of risk management and internal controls. 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.

Over the long term, the business will face other challenges and emerging threats for which it remains vigilant.

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 Company'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 Company.

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 Adviser, 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

Although the risks associated with Covid-19 pandemic lessened considerably during the year, the conflicts in Ukraine, Israel and Palestine exacerbated 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, healthcare, 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 Company.

Principal Risk Summary

Principal Risk	Evolution of the trend during the year
1. Strategic	↔
2. Valuation	↗
3. Healthcare	↓
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 Company's aggregate Investment Properties valuation. However, the Board may, in exceptional circumstances, 	<ul style="list-style-type: none"> 300 Bath Street (2022: 300 Bath Street) is the highest valued property, which equates to 2.8% (2022: 3.0%)

	consider a property having a value of up to 20% of the Company's investment property value at the time of investment.	of the Company's investment properties.
	<ul style="list-style-type: none"> No more than 20% of the Company's investment property value shall be exposed to any single tenant or group undertaking of that tenant. 	<ul style="list-style-type: none"> The Company's largest single tenant exposure is 2.5% (2022: 2.4%) of gross rental income, being EDF Energy Ltd (2022: 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 Company's portfolio affects its profitability and net assets.	<ul style="list-style-type: none"> The Company's external valuer, Colliers International Property Consultants Ltd, 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 Asset Manager produces asset management plans for each individual asset to enhance both income and long term value. These actions also mitigate the macro economic factors which may impact valuations. 	<ul style="list-style-type: none"> Colliers International Property Consultants Ltd. independently provides the valuation for the entire portfolio, valuing each individual asset.

3. Healthcare

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	<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 	<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.

valuations; the ability to access funding at competitive rates, adherence to banking covenants, maintain its dividend policy, and adhere to the HMRC REIT regime requirements.	<ul style="list-style-type: none"> services, continued to operate throughout the recent 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. 	
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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 of the tenants, and ultimately the property portfolio value.	<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 978 (2022: 1,076) income streams which are located in areas of expected economic growth. The Board receives advice on macro-economic risks from the Asset Manager and Investment Adviser 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.

5. Funding

Potential Impact	Mitigation	Movement in the period ↗
The Group may not be able to secure, be that bank lending, private credit or the bond markets, on acceptable terms, which may impinge upon investment opportunities, the ability to grow the Company and distribute an attractive dividend.	<ul style="list-style-type: none"> The Asset Manager has a Corporate Finance team dedicated to optimising the Company's funding requirements. Both debt and equity 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 3.5 (2022: 4.5 years). Weighted average cost of capital, including hedging costs was 3.5% (2022: 3.5%). LTV increased to 55.1% (2022: 49.5%). Maturity of the £50m 4.5% retail eligible bond on 6 August 2024.
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 100.0% (31 December 2022: 100.9%) 	<ul style="list-style-type: none"> Continued adherence to the hedging policy.

	<ul style="list-style-type: none"> Borrowings are currently provided by a range of institutions with targeted staggered maturities. 	
Breach of covenants within the Company'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 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 remains diversified, with the number of tenants amounting to 978 at the year-end (2022: 1,076).
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 2023 was 2.8 years (2022: 3.0 years) The largest tenant is 2.5% (2022: 2.4%) of the gross rental income, being EDF Energy 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 KPMG LLP and the Company 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 Manager and Investment Adviser 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 Company. 	<ul style="list-style-type: none"> Both the Asset Manager and Investment Adviser 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 Manager and Investment Adviser and other third-party service providers. 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"> Both the Asset and Investment Adviser are viable going concerns. The Asset Manager continues to monitor changes in Health and Safety regulations. 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 Manager and Investment Adviser 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 Asset Manager and Investment Adviser review the respective Information Technology policies and the material third party service suppliers as required 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 Company's legal counsel. The Administrator, Sub-Administrator and the Company Secretary attend all relevant 	<ul style="list-style-type: none"> The Company 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

	<ul style="list-style-type: none"> Board meetings in order to be aware of all announcements that need to be made. All compliance issues are raised with the Company's Financial Adviser. 	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 Manager and Investment Adviser, and external advisors including the Company's tax adviser KPMG LLP and its Sub-Administrator Link Alternative Fund Administrators Limited. 	<ul style="list-style-type: none"> The Company 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 Company'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 Company 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 Company activities.
Changes to the environment could impact upon the operations of the Company.	<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 Company's ability to sell or lease an asset.	<ul style="list-style-type: none"> The Company 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 FROM THE REPORT OF THE DIRECTORS

Share Capital

As at 31 December 2023, the Company's total issued share capital was 515,736,583 Ordinary

Shares (2022: 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 (2022: none) are currently in issue.

At the AGM held on 25 May 2023, the Directors were granted authority to allot Ordinary Shares on a non- pre-emptive basis for cash up to a maximum number of 51,573,658 Shares (being 10% of the issued Share capital on 24 March 2023). 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 51,573,658 Shares (being 10% of the issued Share capital on 24 March 2023) 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 2024 AGM where resolutions for their renewal will be sought, or, if sooner, on 25 August 2024.

At the AGM held on 25 May 2023, 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 24 March 2023).

No Shares have been purchased under this authority during the year under review, which will expire at the Company's 2024 AGM where a resolution for its renewal will be sought, or, if sooner, on 25 August 2024.

Restrictions on Voting Rights

Other than those discussed above, 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 below, 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 Manager and Investment Advisers' 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 25 March 2024 and signed on its behalf by:

Kevin McGrath

Chairman

25 March 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

		Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
	Notes		
Continuing Operations			
Revenue			
Rental and property income	5	91,880	93,318
Property costs	6	(38,161)	(30,672)
Net rental and property income		53,719	62,646
Administrative and other expenses	7	(10,626)	(11,421)
Operating profit before gains and losses on property assets and other investments		43,093	51,225
Loss on disposal of investment properties	14	(726)	(8,636)
Change in fair value of investment properties	14	(86,350)	(113,233)
Gain on the disposal of right of use assets	25	-	76
Change in fair value of right of use assets	25	(139)	(185)
Operating loss		(44,122)	(70,753)
Finance income	9	79	126
Finance expenses	10	(16,210)	(17,285)
Net movement in fair value of derivative financial instruments	24	(7,194)	22,743
Loss before tax		(67,447)	(65,169)
Taxation	11	(9)	6
Total comprehensive losses for the year (attributable to owners of the parent company)		(67,456)	(65,163)
Loss per Share - basic and diluted	12	(13.1)p	(12.6)p

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

Total comprehensive losses all arise from continuing operations.

Consolidated Statement of Financial Position

As at 31 December 2023

		31 December 2023 £'000	31 December 2022 £'000
	Notes		
Assets			
Non-current assets			
Investment properties	14	687,695	789,480
Right of use assets	25	10,987	11,126
Non-current receivables on tenant loan	16	385	578
Derivative financial instruments	24	16,009	24,449
		715,076	825,633
Current assets			
Trade and other receivables	17	32,837	30,274
Cash and cash equivalents	18	34,505	50,148
		67,342	80,422
Total assets		782,418	906,055
Liabilities			

Current liabilities			
Trade and other payables	19	(33,039)	(39,231)
Deferred income	20	(15,597)	(16,661)
Retail eligible bonds	23	(49,907)	-
Deferred tax liabilities	21	(708)	(699)
		(99,251)	(56,591)
Non-current liabilities			
Bank and loan borrowings	22	(365,603)	(385,265)
Retail eligible bonds	23	-	(49,752)
Lease liabilities	25	(11,475)	(11,505)
		(377,078)	(446,522)
Total liabilities		(476,329)	(503,113)
Net assets		306,089	402,942
Equity			
Stated capital	26	513,762	513,762
Accumulated losses		(207,673)	(110,820)
Total equity attributable to owners of the parent company		306,089	402,942
Net asset value per Share - basic and diluted	27	59.3p	78.1p

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 25 March 2024 and signed on its behalf by:

Kevin McGrath
Chairman
25 March 2024

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Attributable to owners of the parent company				
		Stated capital £'000	Accumulated losses £'000	Total £'000
	Notes			
Balance at 1 January 2023		513,762	(110,820)	402,942
Total comprehensive losses		-	(67,456)	(67,456)
Dividends paid	13	-	(29,397)	(29,397)
Balance at 31 December 2023		513,762	(207,673)	306,089

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 losses		-	(65,163)	(65,163)
Dividends paid	13	-	(34,296)	(34,296)
Balance at 31 December 2022		513,762	(110,820)	402,942

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Cash flows from operating activities		
Loss for the year before taxation	(67,447)	(65,169)
- Change in fair value of investment properties	86,350	113,233
- Change in fair value of financial derivative instruments	7,194	(22,743)
- Loss on disposal of investment properties	726	8,636
- Gain on disposal of right of use assets	-	(76)
- Change in fair value of right of use assets	139	185
Finance income	(79)	(126)
Finance expense	16,210	17,285
Increase in trade and other receivables	(2,380)	(619)
Decrease in trade and other payables	(3,611)	(2,060)
Decrease in deferred income	(1,064)	(90)
Cash generated from operations	36,038	48,456
Interest paid	(14,775)	(15,198)
Taxation received	-	-
Net cash flow generated from operating activities	21,263	33,258
Investing activities		
Investment property acquisitions and subsequent expenditure	(10,260)	(89,287)
Sale of investment properties	24,969	84,087
Interest received	89	116
Net cash flow generated from/ (used in) investing activities	14,798	(5,084)
Financing activities		
Proceeds received on derivative financial instruments	1,246	-
Dividends paid	(31,978)	(33,971)
Bank borrowings advanced	3,729	14,322
Bank borrowings repaid	(23,771)	(13,467)
Bank borrowing costs paid	(495)	(485)
Lease repayments	(435)	(553)
Net cash flow used in financing activities	(51,704)	(34,154)
Net decrease in cash and cash equivalents	(15,643)	(5,980)
Cash and cash equivalents at the start of the year	50,148	56,128
Cash and cash equivalents at the end of the year	34,505	50,148

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. Corporate information

The Group's consolidated financial statements for the year ended 31 December 2023 comprise the results of the Company and its subsidiaries (together constituting the "Group") and were approved

by the Board and authorised for issue on 25 March 2024.

The 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 2023 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 2023 have been audited and approved, but have not yet been filed.

The Group’s audited financial statements for the year ended 31 December 2023 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, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. Further detail is provided within the Going Concern section of this announcement.

The financial information contained within this preliminary statement was approved and authorised for issue by the Board on 25 March 2024.

2.1 Functional and presentation currency

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

2.2 Going concern

The Board have performed an assessment of whether the Group would be able to continue as a going concern for at least twelve months from the date of the consolidated annual financial statements. The Directors took into account the financial position, expected future performance of the operations, the debt facilities and debt service requirements, including those of the proposed refinancing of the Company’s Retail Eligible Bond, the working capital and capital expenditure commitments and forecasts.

The cashflow forecast indicates that the Group requires additional liquidity to fund the Retail Eligible Bond obligation during the next twelve months; and the Group's ability to continue as a going concern is dependent on its ability to obtain the necessary additional funding required through a capital raise or alternative funding sources, which are currently being considered by the Board. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements for the year ended 31 December 2023 have been prepared on a going concern basis as, in the opinion of the Directors, the Group will be in a position to continue to meet its operating and capital costs requirements and pay its debts as and when they fall due for at least twelve months from the date of this report, as the Board are confident they can raise the necessary funding to replace the Retail Eligible Bond due to be repaid in August 2024.

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 2023 are as follows:

IFRIC Agenda Item: Following clarification by IFRIC on the classification of monies held in restricted accounts, monies that are restricted by use only are classified at 31 December 2023 as "Cash and cash equivalents".

IFRIC Agenda Item: In October 2022, the IFRIC issued an agenda decision in respect of 'Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)' ('the IFRIC Decision on Concessions'). This concluded that losses incurred on granting retrospective rent concessions should be charged to the income statement on the date that the legal rights to income are conceded (i.e. immediate recognition in full rather than smoothed over the life of the lease).

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.

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.

Amendments to IAS 12 'Income Taxes' (effective for periods beginning on or after 1 January 2023) - clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

During the year ended 31 December 2023, none of the above had a material impact on the 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 2024 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 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 value of investment property, 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 less the value of assets arising from rent smoothing. 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.

The fair value of investment property is equal to the independent property valuer’s valuation of £700.7m. This is presented net of the prepayments arising from rent smoothing (£13.0m). This is detailed in note 14 below and in the full Annual Report and is in accordance with IAS 40 paragraph 50, recognising the prepayment cannot be recovered when the investment properties are sold. Prior year figures have not been restated as the effect on the accounts is not considered by the Directors to be material (£10.6m). The prepayment for rent smoothing is disclosed in note 17.

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 significant methods and assumptions used in estimating the fair value of the interest rate derivatives are set out in note 24.

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

With the exception of the change detailed in note 3.1.1, the accounting policies adopted in this report are consistent with those applied in the financial statements for the year ended 31 December 2022 and have been consistently applied for the year ended 31 December 2023.

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 2023 or 2022.

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. The Group now recognises the fair value of investment property to be the value calculated by the independent property valuer less the value of assets arising from rent smoothing. 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 only assets classified at fair value through profit or loss are derivative financial instruments.

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. 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.

4.16. 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.

4.17 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 25%.

4.18. Stated capital

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

4.19. Share-based payments

The Group has entered into performance fee arrangements with the Asset Manager and Investment Adviser 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 current and prior year, no cash or equity rewards have been made.

4.20 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 an applicable 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 2023 £'000	Year ended 31 December 2022 £'000
Rental income - freehold property	57,845	61,458
Rental income - long leasehold property	12,210	14,861
Recoverable service charge income and other similar items	21,825	16,999
Total	91,880	93,318

6. Property costs

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Other property expenses and irrecoverable costs	16,336	13,673
Recoverable service charge expenditure and other similar costs	21,825	16,999
Total	38,161	30,672

7. Administrative and other expenses

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Investment management fees	1,944	2,687
Property management fees	2,677	3,044
Asset management fees	1,944	2,691
Directors' remuneration (see note 8)	293	302
Administration fees	727	697
Legal and professional fees	2,203	2,083
Marketing and promotion	87	111
Other administrative costs	194	195
Allowance/(credit) for doubtful debts	542	(405)
Bank charges	15	16
Total	10,626	11,421

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 2023 £'000	Year ended 31 December 2022 £'000
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	105	99
Fees payable to the Group's Auditor and its associates for the audit of the Company's subsidiaries	134	125
Total fees payable for audit services	239	224
Fees payable to the Group's Auditor and its associates for other services:		
Other business services	31	29
Total	270	253

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 2023 £'000	Year ended 31 December 2022 £'000
Directors' fees	267	273
Employer's National Insurance contributions	26	29
Total	293	302

9. Finance income

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Interest income	79	126
Total	79	126

10. Finance expense

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Net Interest payable on bank borrowings and derivatives	12,517	12,940
Amortisation of loan arrangement fees	875	1,421
Bond interest	2,250	2,250
Bond issue costs amortised	155	156
Bond expenses	8	8
Lease interest	405	510
Total	16,210	17,285

11. Taxation

	Year ended 31 December 2023	Year ended 31 December 2022
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	£'000	£'000
Corporation tax charge	-	-
Increase/ (decrease) in deferred tax liability	9	(6)
Total	9	(6)

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

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
(Loss)/profit before taxation	(67,447)	(65,169)
UK Corporation Tax rate	23.52%	19%
Theoretical tax at UK Corporation Tax rate	(15,864)	(12,382)
Effects of:		
Revaluation of investment property	20,310	21,514
Expenses not deductible for tax	(387)	(201)
Profits from the tax-exempt business	(4,059)	(8,931)
Deferred tax arising from temporary differences on the revaluation of investment property	9	(6)
Total	9	(6)

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 nontaxable 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 PID's 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.

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 2023 £'000	Year ended 31 December 2022 £'000
Calculation of earnings per Share		
Net loss profit attributable to Ordinary Shareholders	(67,456)	(65,163)
Adjustments to remove:		
Changes in value of investment properties	86,350	113,233
Changes in fair value of right of use assets	139	185
Loss on disposal of investment properties	726	8,636
Gain on the disposal of right of use assets	-	(76)
Changes in fair value of interest rate derivatives and financial assets	7,194	(22,743)
Deferred tax charge/(credit)	9	(6)
EPRA net profit attributable to Ordinary Shareholders	26,962	34,066
Weighted average number of Ordinary Shares	515,736,583	515,736,583
Loss per Share - basic and diluted	(13.1)p	(12.6)p
EPRA earnings per Share - basic and diluted	5.2p	6.6p

13. Dividends

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Dividend of 1.65 (2022: 1.70) pence per Ordinary Share for the period 1 October - 31 December	8,509	8,768
Dividend of 1.65 (2022: 1.65) pence per Ordinary Share for the period 1 January - 31 March	8,510	8,510
Dividend of 1.20 (2022: 1.65) pence per Ordinary Share for the period 1 April - 30 June	6,189	8,509
Dividend of 1.20 (2022: 1.65) pence per Ordinary Share for the period 1 July - 30 September	6,189	8,509
Total	29,397	34,296

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 payment was made on 6 April 2023 to Shareholders on the register as at 2 March 2023.

On 24 May 2023, the Company announced a dividend of 1.65 pence per Share in respect of the period 1 January 2023 to 31 March 2023. The dividend payment was made on 4 August 2023 to Shareholders on the register as at 1 June 2023.

On 12 September 2023, the Company announced a dividend of 1.20 pence per Share in respect of the period 1 April 2023 to 30 June 2023. The dividend payment was made on 19 October 2023 to Shareholders on the register as at 21 September 2023.

On 9 November 2023, the Company announced a dividend of 1.20 pence per Share in respect of the period 1 July 2023 to 30 September 2023. The dividend payment was made on 12 January 2024 to Shareholders on the register as at 16 November 2023.

On 22 February 2024, the Company announced a dividend of 1.20 pence per Share in respect of the period 1 October 2023 to 31 December 2023. The dividend will be paid on 5th April 2024 to Shareholders on the register as at 29th February 2024. The financial statements do not reflect this dividend.

The Board intends to pursue a dividend policy with quarterly dividend distributions. 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 Colliers International Property Consultants Limited, 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 RICS 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.

Group Movement in investment properties for the year ended 31 December 2023	Freehold Property £'000	Long Leasehold Property £'000	Total £'000
Valuation at 1 January 2023	643,630	145,850	789,480
Property additions - acquisitions	5	85	90
Property additions - subsequent expenditure	7,921	2,249	10,170
Property disposals	(25,004)	35	(24,969)
Loss on the disposal of investment properties	(691)	(35)	(726)
Change in valuation during the period	(63,466)	(9,859)	(73,325)
Valuation at 31 December 2023	562,395	138,325	700,720

Value advised by the property valuers	562,395	138,325	700,720
Less adjustments for rent smoothing assets (note 17)	(9,532)	(3,493)	(13,025)
Fair Value at 31 December 2023	552,863	134,832	687,695

The total change in fair value during the period was a decrease of £86,350,000 (2022: £113,233,000)

Group Movement in investment properties for the year ended 31 December 2022

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 disposal of investment properties	(8,032)	(604)	(8,636)
Change in fair value during the year	(95,658)	(17,575)	(113,233)
Valuation at 31 December 2022	643,630	145,850	789,480

The net book value of properties disposed of during the year amounted to £25,695,000 (2022: £92,723,000).

The historic cost of the properties is £899,236,000 (31 December 2022: £919,543,000).

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 independent valuers assessment of the value of investment properties secured at 31 December 2023 was £700,720,000 (31 December 2022: £789,480,000).

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

		Quoted active prices (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
Date of valuation:	Total £'000			
31 December 2023	700,720	-	-	700,720
31 December 2022	789,480	-	-	789,480

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 2023 £'000	Year ended 31 December 2022 £'000
Balance at the start of the year	789,480	906,149
Additions	10,260	89,287
Disposals	(24,969)	(84,087)
Loss on the disposal of investment properties	(726)	(8,636)
Change in fair value during the year	(86,350)	(113,233)
Balance at the end of the year	687,695	789,480

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, 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 (ERV) 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 2023, 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 Red Book.

The impact of climate change on the portfolio and the principal risk around environmental and energy efficiency standards are disclosed in the Strategic Report in the full Annual Report.

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.

Significant input: market rental

The rent at which space could be let in the market conditions prevailing at the date of valuation range: £16,200- £3,237,000 per annum (2022: £12,500-£3,137,000 per annum).

Observable input: rental growth

The decrease in rent is based on contractual agreements: 6.49% (2022: decrease 5.08%). There is a gross contracted rent reduction, as per normal operations it is a combination of property disposals, space under refurbishments and lease expiries.

Observable input: equivalent yield

The time-weighted average return that a property will produce including purchase costs. The equivalent yield generally sits between the net initial yield and reversionary yield. See below table.

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 2023 valuation had an initial yield range of 5.78% to 15.0% (2022: 5.20% to 17.55%).

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.

Equivalent yield range by sector:

Sector	Fair Value £'000	ERV Range (per sq ft per annum)	Equivalent Yield Range
Industrial	£22,125.00	£3.50 - £9.49	6.61% - 30.12%
Retail	£21,925.00	£4.50 - £60.10	6.00% - 30.97%
Alternatives/ Other	£11,650.00	£5.00 - £17.67	4.75% - 9.69%
Office by Region			
Office South East	£122,800.00	£5.07 - £29.01	8.25% - 19.88%
Office South West	£69,800.00	£8.74 - £22.00	9.00% - 13.09%

Office Midlands	£133,550.00	£3.01 - £34.95	9.09% - 14.00%
Office North West	£97,015.00	£6.61 - £29.59	7.50% - 14.26%
Office North East	£106,800.00	£4.00 - £30.51	7.61% - 21.78%
Office Wales	£20,125.00	£10.00 - £13.50	8.94% - 10.34%
Office Scotland	£94,930.00	£4.48 - £24.02	8.81% - 19.80%
Total	£700,720.00		

The impact of changes to the significant unobservable inputs:

	2023	2023	2022	2022
	Impact on	Impact on	Impact on	Impact on
	statement of	statement of	statement of	statement of
	comprehensive	financial	comprehensive	financial
	income	position	income	position
	£'000	£'000	£'000	£'000
Improvement in ERV by 5%	31,464	31,464	35,307	35,307
Worsening in ERV by 5%	(30,966)	(30,966)	(34,740)	(34,740)
Improvement in yield by 0.125%	10,361	10,361	13,427	13,427
Worsening in yield by 0.125%	(10,101)	(10,101)	(13,035)	(13,035)

15. Investment in subsidiaries

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

	Country of incorporation	Ownership %
Beaufort Office Park Management Company Limited	United Kingdom	100%
Glasgow Airport Business Park Management Company Limited	United Kingdom	100%
Quay West Estate Company Limited	United Kingdom	100%
Regional Commercial MIDCO Ltd	Jersey	100%
RR Aspect Court Ltd	Jersey	100%
RR Bennett House Ltd	Jersey	100%
RR Bishopgate Street Ltd	Jersey	100%
RR Brand Street Ltd	Jersey	100%
RR Bristol Ltd	Jersey	100%
RR Chancellor Court Ltd	Jersey	100%
RR Crompton Way Ltd	Jersey	100%
RR Falcon Ltd	Jersey	100%
RR Glasgow Ltd	Jersey	100%
RR Harvest Ltd	Jersey	100%
RR Hounds Gate Ltd	Jersey	100%
RR Milburn House Ltd	Jersey	100%
RR Minton Place Ltd	Jersey	100%
RR Newstead Court Ltd	Jersey	100%
RR Portland Street 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 Sheldon Court Ltd	Jersey	100%
RR Star Ltd	Jersey	100%
RR St Georges House Ltd	Jersey	100%
RR St James Court Ltd	Jersey	100%
RR Strathclyde BP Ltd	Jersey	100%
RR UK (Central) Ltd	Jersey	100%
RR UK (Cheshunt) Ltd	Jersey	100%
RR UK (Port Solent) Ltd	Jersey	100%
RR UK (South) Ltd	Jersey	100%
RR Wallington Ltd	Jersey	100%
RR Westminster House Ltd	Jersey	100%
RR Wing Portfolio Ltd	Jersey	100%
Tay Properties Ltd	Jersey	100%
TCP Arbos Ltd	Jersey	100%
TCP Channel Ltd	Jersey	100%
Tosca Chandlers Ford Ltd (in liquidation)	Jersey	100%
Tosca Glasgow II 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	Control %
Credential (Wardpark North) Ltd	United Kingdom	100%
Credential Estates Ltd	United Kingdom	100%
Rocket Unit Trust	Jersey	100%
Squeeze Newco 2 Ltd	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 2023.

16. Non-current receivables on tenant loans

	31 December 2023 £'000	31 December 2022 £'000
At start of year	770	1,011
Amounts repaid in the year	(192)	(241)
At end of year	578	770
Asset due within 1 year (note 17)	193	192
Asset due after 1 year	385	578
	578	770

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 receivables on tenant loans as at 31 December 2023 or 31 December 2022.

17. Trade and other receivables

	31 December 2023 £'000	31 December 2022 £'000
Gross amount receivable from tenants	8,704	10,092
Less provision for impairment	(915)	(902)
Net amount receivable from tenants	7,789	9,190
Current receivables - tenant loans (note 16)	193	192
Income tax	52	52
Other receivables	760	955
Prepayment for rent smoothing (note 14)	13,025	10,597
Prepayments	11,018	9,288
	32,837	30,274

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

The aged analysis of trade receivables that are past due but not impaired was as follows:

	31 December 2023 £'000	31 December 2022 £'000
< 30 days	3,604	7,386
30-60 days	650	205
> 60 days	4,450	2,501
Net amount receivable from tenants	8,704	10,092
Less provision for impairment	(915)	(902)
Net Amount receivable from tenants	7,789	9,190

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

The table above shows the aged analysis of trade receivables included in the table 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 2023 £'000	31 December 2022 £'000
At start of year	902	1,615
Provision for impairment in the year	903	949
Receivables written off as uncollectable	(670)	(458)
Unused provision reversed	(220)	(1,204)
At end of year	915	902

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 2023 £'000	31 December 2022 £'000
Group		
Cash held at bank	30,209	41,262
Restricted cash held at bank	3,826	8,886
At end of year	34,035	50,148

** Comparatives have been re-analysed between restricted and non-restricted balances.*

Restricted cash balances of the Group comprise:

- £3,826,000 (2022: £8,886,000) of funds held in blocked bank accounts which are controlled by the Group's lenders and are released once certain loan conditions are met. The restricted funds arose on net proceeds from investment property disposals.

The following amounts are not analysed as restricted balances:

- £7,863,000 (2022: £9,940,000) of cash funds represent service charge income received from tenants for settlement of future service charge expenditure.
- £2,845,541 (2022: £3,493,000) of cash funds represent tenants' rental deposits.

These amounts are not analysed as restricted balances.

The restricted cash balances are all accessible within 90 days so meet the definition of cash and cash equivalents.

19. Trade and other payables

	31 December 2023 £'000	31 December 2022 £'000
Withholding tax due on dividends paid	668	929
Dividends announced but not paid	6,189	8,509
Trade payables	2,862	3,455

Other payables	15,350	14,703
Value added tax	1,387	1,562
Accruals	6,583	10,073
At end of year	33,039	39,231

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 £15,597,000 (31 December 2022: £16,661,000) represents rent received in advance from tenants. Deferred income will be recognised over the next 12 month period.

21. Deferred tax liabilities

	31 December 2023 £'000	31 December 2022 £'000
Deferred tax	708	699
At end of year	708	699
The movement on deferred tax liability is shown below:		
At start of year	699	705
Deferred tax on the valuation of investment properties	9	(6)
At end of year	708	699

The deferred tax liability relates 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 2023 £'000	31 December 2022 £'000
Bank borrowings drawn at start of year	390,792	389,937
Bank borrowings drawn	3,729	14,322
Bank borrowings repaid	(23,771)	(13,467)
Bank borrowings drawn at end of year	370,750	390,792
Less: unamortised costs at start of year	(5,527)	(6,463)
Less: loan issue costs incurred in the year	(495)	(485)
Add: loan issue costs amortised in the year	875	1,421
At end of year	365,603	385,265
Maturity of bank borrowings		
Repayable within 1 year	-	-
Repayable between 1 to 2 years	-	-
Repayable between 2 to 5 years	310,721	290,677
Repayable after more than 5 years	60,029	100,115
Unamortised loan issue costs	(5,147)	(5,527)
	365,603	385,265

As detailed in note 23, the Group has £50,000,000 (31 December 2022: £50,000,000) retail eligible bonds in issue.

The table below lists the Group's borrowings.

Lender	Facility £'000	Outstanding debt* £'000	Maturity date	Gross loan to value**	Annual interest rate	Amortisation
Royal Bank of Scotland, Bank of Scotland and Barclays Scottish Widows Ltd & Aviva Investors Real Estate Finance Scottish Widows Ltd	122,221	122,221	Aug-26	54.5%	2.40% over 3 months £ SONIA	Mandatory prepayment
	152,500	152,500	Dec-27	52.9%	3.28% Fixed	None
	36,000	36,000	Dec-28	47.2%	3.37% Fixed	None
					2.20% over 3 months £ SONIA	Mandatory prepayment
Santander UK	60,029	60,029	Jun-29	52.1%	£ SONIA	
Total bank borrowings	370,750	370,750				
Retail eligible bond	50,000	50,000	Aug-24	N/A	4.50% Fixed	None
Total	420,750	420,750				

SONIA = Sterling Over Night Indexed Average

* Before unamortised debt issue costs

** Based upon Colliers International Property Consultants limited property valuations

The percentage of borrowings at variable rates of interest was 43.3% (31 December 2022: 43.1%).

The weighted average term to maturity of the Group's debt at the year end was 3.5 years (31 December 2022: 4.5 years).

The weighted average interest rate payable by the Group on its total bank borrowings, excluding hedging costs, as at the year end was 5.4% (31 December 2022: 3.5%).

The Group weighted average interest rate, including the retail eligible bonds and hedging activity at the year end, amounted to 3.5% per annum (31 December 2022: 3.5% 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 2022: £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 2023 £'000	31 December 2022 £'000
Bond principal at start of year	50,000	50,000
Unamortised issue costs at start of year	(248)	(404)
Amortisation of issue costs	155	156
At end of year	49,907	49,752

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 2023 £'000	31 December 2022 £'000
Fair value at start of year	24,449	1,706
Proceeds received from a reduction in nominal amounts	(1,246)	-
Revaluation in period	(7,194)	22,743
Fair Value at end of year	16,009	24,449

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.

During the year the notional amount on derivative instruments was reduced with a cash amount realised of £1,246,000.

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

Lender	Facility £'000	Outstanding debt* £'000	Maturity date	Annual interest rate	Notional amount £'000	Swap/ cap rate
Royal Bank of Scotland, Bank of Scotland and Barclays	122,221	122,221	Aug-26	2.40% over 3 mth £ SONIA	71,000 swap 51,221 cap	0.97% 0.97%
Scottish Widows Ltd & Aviva Investors Real Estate Finance	152,500	152,500	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
				2.20% over		
				3 mth £	49,403 swap	1.39%
Santander UK	60,029	60,029	Jun-29	SONIA	10,626 cap	1.39%
Total bank borrowings	370,750	370,750				

*Before unamortised debt issue costs
SONIA = Sterling Over Night Indexed Average

As at 31 December 2023, the swap notional arrangements were £120.4 million (31 December 2022: £122.4 million) and the cap notional arrangements amounted to £61.8 million (31 December 2022: £71.5 million).

The Group weighted average effective interest rate was 3.5% (31 December 2022: 3.5%) 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 100.0% (31 December 2022: 100.9%), as shown below.

	31 December 2022 £'000	31 December 2021 £'000
Total bank borrowings	370,750	390,792
Notional value of interest rate caps and swaps	182,250	193,871
Value of fixed rate debts	188,500	201,000
	370,750	394,871
Proportion of hedged debt	100.0%	100.9 %

Table may not sum due to rounding

The Group has not adopted hedge accounting in either year.

25. Leases

	31 December 2023 £'000	31 December 2022 £'000
Right of use asset		
At start of year	11,126	16,482
Derecognition of right of use asset	-	(5,171)
Fair value movement	(139)	(185)
At end of year	10,987	11,126

	31 December 2023 £'000	31 December 2022 £'000
Lease liability		
At start of year	11,505	16,795
Derecognition of finance lease liability	-	(5,247)
Lease payments	(435)	(553)
Interest charges	405	510

At end of year	11,475	11,505
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The derecognition of right of use assets and liabilities during the year gave rise to a realised gain of £nil (2022: £76,000).

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 48% of the balance. Total commitments on leases in respect of land and buildings are as follows:

	31 December 2023 £'000	31 December 2022 £'000
Group		
Payable within 1 year	435	435
Payable between 1 and 2 years	435	435
Payable between 2 and 5 years	1,305	1,305
Payable after 5 years	33,999	29,109
	36,174	31,284

26. Stated capital

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

	31 December 2023 £'000	31 December 2022 £'000
Group		
Issued and fully paid Shares of no par value		
At start of the year	513,762	513,762
At end of the year	513,762	513,762
Number of Shares in issue		
At start of the year	515,736,583	515,736,583
At end of the year	515,736,583	515,736,583

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.

Further detail of the EPRA performance measures can be found in the full Annual Report.

Net asset values have been calculated as follows:

	31 December 2023 £'000	31 December 2022 £'000
Group		
Net asset value per Consolidated Statement of Financial Position	306,089	402,942
Adjustment for calculating EPRA net tangible assets:		
Derivative financial instruments	(16,009)	(24,449)
Deferred tax liability	708	699
EPRA Net Tangible Assets	290,788	379,192

Number of Ordinary Shares in issue	515,736,583	515,736,583
Net asset value per Share - basic and diluted	59.3p	78.1p
EPRA Net Tangible Assets per Share - basic and diluted	56.4p	73.5p

28. Notes to the Statement of Cash Flows

28.1 Non-Cash Transactions

During the prior year, two 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 2023	385,265	49,752	11,505	446,522
Changes from financing cash flows:				
Bank and bond borrowings advanced	3,729	-	-	3,729
Bank borrowings repaid	(23,771)	-	-	(23,771)
Bank and bond borrowing costs paid	(495)	-	-	(495)
Lease payments	-	-	(435)	(435)
Total changes from financing cash flows	(20,537)	-	(435)	(20,972)
Amortisation of issue costs	875	155	-	1,030
Unwinding of discount	-	-	405	405
Total other changes	875	155	405	1,435
Balance at 31 December 2023	365,603	49,907	11,475	426,985

	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

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 and lease liabilities, 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 2023		31 December 2022	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets - measured at amortised cost				
Trade and other receivables	9,127	9,127	10,915	10,915
Cash and short-term deposits	34,505	34,505	50,148	50,148
Financial assets - measured at fair value through profit or loss				
Interest rate derivatives	16,009	16,009	24,449	24,449
Financial liabilities - measured at amortised cost				
Trade and other payables	(30,984)	(30,984)	(36,741)	(36,741)
Bank and loan borrowings	(365,603)	(354,124)	(385,265)	(366,398)
Retail eligible bonds	(49,907)	(46,700)	(49,752)	(49,335)
Lease liability	(11,475)	(11,475)	(11,505)	(11,505)

The following financial assets and 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 2023				
Interest rate derivatives	16,009	-	16,009	-

31 December 2022				
Interest rate derivatives	24,449	-	24,449	-

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 variable 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.

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 2023	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	(30,984)	-	-	-	(30,984)
Bank borrowings	(20,104)	(20,104)	(344,139)	(62,282)	(446,629)
Interest rate derivatives	7,810	7,810	10,735	1,185	27,540
Retail eligible bonds	(51,125)	-	-	-	(51,125)
Lease liability	(435)	(435)	(1,305)	(33,999)	(36,175)
	(94,838)	(12,729)	(334,709)	(95,096)	(537,373)

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)

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 43 and 128 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 Asset Manager and Investment Adviser, 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 2023 £'000	31 December 2022 £'000
Group		
Receivable within 1 year	51,207	55,898
Receivable between 1-2 years	45,008	42,673
Receivable between 2-5 years	96,923	74,718
Receivable after 5 years	67,798	46,122
	260,936	219,411

The Group has in excess of 940 operating leases.

The number of years remaining on these operating leases varies between 1 and 997 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

The following persons and entities are related parties because they have significant influence over the reporting entity or are key management personnel or the reporting entity.

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.

34. Transactions with Managers

Transactions with the Asset Manager, London & Scottish Property Investment Management Limited, and the Property Manager, L&S PM 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 L&S PM 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, Asset Manager and Investment Adviser 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 L&S PM 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 31 December 2023 £'000	Year ended 31 December 2022 £'000
Asset management fees charged*	1,944	2,691
Property management fees charged*	2,677	3,044

Performance fees charged	-	-
Total	4,621	5,735
	31 December	31 December
	2023	2022
	£'000	£'000
Total fees outstanding	1,170	1,642

* Including irrecoverable VAT charged where appropriate.

Transactions with the Investment Manager, Toscafund Asset Management LLP, and the Investment Adviser, ARA Europe Private Markets Limited.

In consideration for the provision of services provided, the Investment Adviser is entitled in each financial year (or part thereof) to 50% of an annual management fee on a scaled rate.

With effect from 11 October 2023, ARA Europe Private Markets Limited ("ARA Europe") was appointed as the Company's Investment adviser and on the same date replaced Toscafund Asset Management's entitlement of the 50% annual management fee.

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, Asset Manager and Investment Adviser 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 Adviser 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
	2023	2022
	£'000	£'000
Investment management fees charged	1,944	2,687
Total	1,944	2,687

	31 December	31 December
	2022	2021
	£'000	£'000
Total fees outstanding	478	524

Performance Fee

The Asset Manager and the Investment Adviser 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 2023 or 31 December 2022.

35. Subsequent Events

On 22 February 2024, the Company declared the Q4 2023 dividend of 1.20pps, which will be paid to shareholders on 5th April 2024.

COMPANY INFORMATION

Directors

Kevin McGrath (Chairman and Independent Non-Executive Director)

Daniel Taylor (Senior Independent Non-Executive Director)

Frances Daley (Independent Non-Executive Director, Audit Committee Chairman)

Massy Larizadeh (Independent Non-Executive Director, Nomination Committee Chairman, Management Engagement and Remuneration Committee Chairman)

Stephen Inglis (Non-Executive Director)

Registered office

Regional REIT Limited

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Regional REIT Limited

ISIN: GG00BYV2ZQ34

SEDOL: BYV2ZQ3

Legal Entity Identifier: 549300D8G4NKLRIKBX73

Company website

www.regionalreit.com

FURTHER INFORMATION

The Company's annual report and accounts for the year ended 31 December 2023 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.