

11 September 2018

Regional REIT Limited

Half Year Results for the Six Months Ended 30 June 2018

Active period sees change in composition of portfolio, and strengthening of corporate foundations

Regional REIT Limited (LSE: RGL) (“Regional REIT”, the “Group” or the “Company”), the UK regional office and industrial property focused REIT, today announces its half year results for the six months ended 30 June 2018.

Active management in the period sees change in portfolio composition with continued focus on driving income and returns

- Significant number of disposals (£60.4m) at average net initial yield of 4.9%, as the Group took advantage of the mismatch between valuations and market demand or completed business plans for more mature assets.
- Total acquisitions of £40.1m (before costs), including sizable £35.2m portfolio of office properties with significant asset management opportunities to increase value.
- Gross portfolio value, despite marginal contraction due to level of disposals, increased to £758.7m (30 June 2017: £640.4m; 31 Dec 2017: £737.3m); Like-for-like value increased 4.5%.
- Asset Manager continued to improve and stabilise income across the portfolio with 33 new leases signed, 90 lease renewals and £4.4m of capital expenditure invested.
- Despite increased proportion of recently acquired assets in portfolio, occupancy and rental income robust at 85.5% by value (31 Dec 2017: 85.0%) and £61.3m (31 Dec 2017: £61.9m) respectively.
- At 30 June 2018, portfolio sits at 151 properties (30 June 2017: 150; 31 Dec 2017: 164), 1,294 units (30 June 2017: 1,093; 31 Dec 2017: 1,368) and 950 tenants (30 June 2017: 823; 31 Dec 2017: 1,026), predominately split between office (70.3% by value) and industrial (21.0% by value). England and Wales weighting increased to 78.1% by value.
- Profits from disposals and valuation growth significantly boosted EPRA NAV to 113.6pps (31 Dec 2017: 105.9pps) and PBT to £45.3m (30 June 2017: £16.2m). Operating profit before gains and losses of property assets and other investments up to £17.6m (30 June 2017: 14.3m).
- Fully diluted IFRS Earnings per Share (“EPS”) of 12.0p (EPRA EPS 2.6p) (30 June 2017: IFRS EPS 5.6p; EPRA EPS 2.9p).

Further steps taken to strengthen corporate foundations as REIT matures

- Appointment of Frances Daley as NED in February further expands and strengthens Board.
- Gross borrowings increased to £391.9m (31 Dec 2017 £376.5m) following further acquisitions and including the ZDP which is repayable in January 2019.
- Net LTV managed down to 41.2% from 45.0% in line with target of c. 40%.
- Cost of debt remains favourable at 3.8% (including hedging costs) and average maturity of debt stands at 5.4 years.
- Cash reserves significantly increased to £79.5m (30 June 2017: £32.2m; FY 2017: £44.6m). The Group intends to take prudent approach to cash management to enable flexible firepower for future opportunistic purchases.
- Dividends declared per share for H1 amounted to 3.7p (30 June 2017: 3.6p).
- Total accounting shareholder return of 32.0% since IPO (November 2015) and annualised rate of 11.0%.
- Appointment of Cenkos Securities plc as joint corporate broker alongside Peel Hunt LLP.

Continued progress and momentum since the period end

- Successfully raised £50m through 4.5% retail eligible bond due 2024, which will allow the ZDP share repayment due January 2019, assist in reducing cost of debt and extend debt duration.
- Further disposals and acquisitions demonstrate management’s ability to execute on strategy of careful asset selection and intense active management to successfully generate yield arbitrage and value to shareholders.

Stephen Inglis, Chief Executive Officer of London & Scottish Investments Limited, the Asset Manager of Regional REIT Limited commented: “The first half has once again been active for the REIT and

demonstrated our ability to create real value improvements through asset management; demonstrated in the increase in H1 valuation.

While we continue to acquire opportunistically, we have disposed of assets that were at the end of our asset management programme or taken advantage of a mismatch between valuations and market values. This has significantly driven profit in the period, as well as changed the makeup of our portfolio, as much of the capital has been reinvested into less mature assets where there are opportunities to increase value.

Since the period end, we have further demonstrated this approach to capital recycling, as well as the successful raising of £50m through a retail bond, which enables us to not only pay off the ZDP shares, but also reduce and simplify some of our other higher cost debt.

This has positioned us well for the next stage of the REIT's development and further opportunities in the regional property market. We remain committed to returning value to shareholders and we are confident in the ability of our assets to deliver income and provide high dividends to our investors."

A meeting for investors and analysts will be held at 09:30 (London time, BST) on 11 September 2018 at the offices of Peel Hunt. If you would like to attend the meeting please contact Jack Gault, +44 (0) 20 3805 4842 or jgault@headlandconsultancy.com. The presentation slides for the meeting will shortly be available to download from the Investors section of the Group's website at www.regionalreit.com.

This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation that came into effect on 3 July 2016.

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About Regional REIT

Regional REIT (LSE: RGL) is a London Stock Exchange Main Market traded specialist real estate investment trust focused on office and industrial property interests in the principal regional locations of the United Kingdom outside of the M25 motorway.

Regional REIT is managed by London & Scottish Investments (the "Asset Manager"), and Toscafund Asset Management (the "Investment Manager") (together, the "Managers"), and was formed by the Managers as a differentiated play on the expected recovery in UK regional property, to deliver an attractive total return to Shareholders and with a strong focus on income.

The Group's investment portfolio, as at 30 June 2018, was spread across 151 regional properties, 1,294 units and 950 tenants. As at 30 June 2018, the investment portfolio had a value of £758.7m and a net initial yield of 6.4%. The weighted average unexpired lease term to first break was 3.5 years.

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.

Cautionary Statement

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

CHAIRMAN'S STATEMENT

I am pleased to report that the Company has again delivered positive growth in the six months to 30 June 2018. During the period, the Group generated profit after tax of £44.9m (up 178% on the first half of 2017), EPRA earnings per share ("pps") diluted and excluding the performance fee, were 3.8pps (IFRS earnings 12.0pps), and we have declared a total dividend for the period of 3.70pps, a 2.8% increase on the dividend declared for first half of 2017.

In the six months to 30 June 2018, the Group acquired properties with an aggregate value of £40.1m (before costs), disposed of properties for an aggregate value of £60.4m (net of costs), and undertook £4.4m of capital expenditure.

The Group undertook one major asset acquisition in the period, which comprised of a £35.2m portfolio of five regional offices and one office/distribution property, and continues to increase the Group's regional exposure in England whilst maintaining a net initial yield of 6.4%. We continued to review the portfolio and have disposed of properties which have met their individual asset plans to realise returns, whilst maintaining a disciplined capital approach to asset acquisitions, where our asset management initiatives can be best employed.

Net borrowings of 41.2% of gross investment properties as at 30 June 2018 were considerably lower than the 2017 year end comparative of 45%, which was predominately as a result of the realised gains on the disposal of properties coupled with the increase in property valuations. We continue to focus on reducing this ratio to our target of approximately 40%.

Although the uncertainty in the economic climate remains present, Regional REIT's distinctive portfolio of regional offices and light industrial assets continues to be overseen by its experienced Asset Manager to ensure we remain well positioned for the remainder of the year and as events unfold in 2019.

Since the period end, the Group has announced a number of transactions as highlighted in the Subsequent Events section below.

Market Environment

Investment in the regional commercial property market remains resilient. The first half of 2018 witnessed regional transactional volumes amounting to £9.1 billion, a 23% increase when compared with the first half of 2017; and the total UK commercial property market experienced volumes of £27.0 billion, a 7% increase when compared with the first of half of 2017.

The increased investment volumes are a result of the limited supply of prime stock, which is forcing investors to review good quality secondary assets, with a notable increase in domestic investors accounting for 59% of all acquisitions; solid occupational demand in the office sector; and strong occupational demand in the logistics sector.

The Asset Manager continues to see robust occupational demand in the regional office markets with high rates of tenant retention, diminishing tenant incentives and some sustained signs of rental progression. The Asset Manager has taken advantage of historically strong pricing for light industrial assets with tactical and opportunistic sales. The proceeds of disposals have been recycled into regional office assets which compliment the diversity of the tenant base.

Given the overarching backdrop of the Brexit negotiations the Board remains supportive of the Asset Manager's vigilant and opportunistic approach to acquisitions and disposals whilst continuing to grow the underlying rental income and responding to the needs of our tenants.

Dividends

The dividend is a major component of the total return. The Company declared total dividends of 3.70pps for the period to 30 June 2018, comprising of two quarterly dividends of 1.85pps each, up 2.8% on the previous year.

The Board is committed to paying a dividend of 8.05pps for the full year 2018.

In the absence of unforeseen circumstances, it remains the Board's intention to pursue a progressive dividend policy and continue to pay quarterly dividends.

Shareholder and Zero Dividend Preference Shareholder Engagement

The Company continues to develop its relations with investors, engaging closely with its shareholders and its subsidiary's zero dividend preference shareholders. The website (www.regionalreit.com) has been updated with the aim of enhancing communication.

Board of Directors

Frances Daley was appointed as an Independent Non-Executive Director on 1 February 2018. Frances brings extensive financial experience to the Board. She was also appointed as Chair of the Company's Audit Committee on 20 June 2018. William Eason, former Chair of the Audit Committee has been appointed as Chair of the Company's Management, Engagement and Remuneration Committee on 20 June 2018.

The view of the Board is that the governance structure of the Group continues to operate effectively with a positive and open culture.

Performance

The total accounting annualised return for the six months to 30 June 2018 was 11.0%. This takes the total accounting return since listing on 6 November 2015 to 32.0%.

Subsequent Events

On 18 July 2018, the Company announced the launch of a sterling 4.5% retail eligible bond due 2024 paying a fixed rate of interest semi-annually in equal instalments. On 7 August 2018, the Company announced the successful raise of £50.0m in the bond issue and admission of the bonds to trading on the London Stock Exchange.

On 8 August 2018, the Group announced the completion of the disposal of a development site in Leeds to Unite Group plc for £12.2m (30 June 2018 valuation: £3.9m). Following the acquisition of the site for £10.5m in 2016, the Asset Manager recognised the potential for the repositioning of part of this asset for alternative use. This involved the early surrender of the lease and agreement to a joint venture with Unite Group plc. Regional REIT retains the 19 storey Arena Point office building currently valued at £8.5m (book value as at 31 December 2017).

On 13 August 2018, the Group completed the disposal of a multi-let industrial estate Wardpark, Cumbernauld, Scotland. The sale price of £26.4m (30 June 2018 valuation: £24.5m). Wardpark benefitted from a proactive asset management strategy, which resulted in both improved occupancy and high retention rates amongst tenants, approximately 30% of which have had a presence on the estate for over 15 years. Initiatives undertaken include the rolling refurbishment of vacant units, the creation of a trade counter area on the estate and the renewal of core holding leases. Tenants include Virgin Media Wholesale, Screwfix and Balfour Beatty.

On 17 August 2018, the Group announced the exchange and completion on contracts to purchase eight office assets for a consideration of £31.4m. The portfolio consists of properties located in Hull, High Wycombe, Stockton-on-Tees, Ipswich, Clevedon, Wakefield, Deeside and Lincoln.

On 10 September 2018, the Group announced the disposal of Turnford Place, Cheshunt for £17.25m (30 June 2018 valuation: £16.3m).

Through this active period of transactions, the Asset Manager has endeavoured to rapidly deploy the capital, whilst keeping the inevitable impact on earnings to a minimum.

Outlook

The outlook for the Group remains positive. Whilst the political and economic backdrop continues to remain uncertain, our confidence is underpinned by the continued strength of the commercial property market and by our diversified regional, tenant and sector portfolio positions, as well our ability to maintain and improve our rental income.

For the remainder of 2018, the Group remains confident of delivering good returns for shareholders, by building upon asset management initiatives, growing the income streams and providing further opportunities for capital value enhancement. The Group remains alert to potential acquisitions or disposals which may arise.

Kevin McGrath

Chairman and Independent Non-Executive Director

10 September 2018

ASSET AND INVESTMENT MANAGERS' REPORT

"Regional REIT has continued to be opportunistic in H1 2018, disposing of non-core assets and reinvesting capital in quality assets where our asset management platform can add value. In addition, we made a strategic decision to sell a mixed quality industrial portfolio, where, in part we had completed our business plan, to take advantage of the huge investor appetite and 'premium' prices being paid for this type of asset. Our unique structure continues to deliver at an asset and property management level; demonstrated by the H1 valuation uplift. We remain confident in our assets, and that the income delivered from these will continue to provide high dividends to our investors". **Stephen Inglis, Chief Executive Officer of London & Scottish Investments, the Asset Manager of Regional REIT Limited.**

Overview

Regional REIT has been active and opportunistic throughout 2018. The Group undertook property acquisitions of £40.1m (before costs), with a weighted average net initial yield of c. 8.4%; disposals (net of costs) amounted to £60.4m at a weighted average net initial yield of c. 4.9%. Occupancy by value increased to 85.5% from 85.0% (31 December 2017), mainly as a result of completing 33 new leases in 2018, totalling 103,564 sq. ft.; when fully occupied these will provide c. £1m pa of contracted rental income. In addition, 90 leases came up for renewal over the period, totalling 546,074 sq. ft., including tenants that are currently holding over, lease renewals, and the acquisition of new replacement tenants, c. 72% (by value) has been retained and c. 74% of the units with lease renewals remain occupied.

Investment Activity in UK Commercial property

Investment in UK commercial property reached £27.0 billion in the first-half of 2018, according to research from JLL,¹ a 7% increase from the same period in 2017 and 32% above the 10-year average, resulting in the second highest figure on record since the first-half of 2015. Although investment in the first quarter of the year was lower than the same quarter in 2017 at £12.4 billion, higher investment volumes in Q2 2018 of £14.6 billion, an 18% increase on the previous quarter, helped boost overall figures for the first-half of 2018. Investment in portfolio deals increased 25% when compared to the same period last year, reaching £6.2m – 60% above the 10-year H1 average. JLL attribute this to the increasing significance of the alternatives sector, which includes all other property types other than retail, office and industrial.

Investment in the UK regional markets continued at a pace in the first-half of 2018, with £9.1 billion invested, 23% higher than the first half of 2017. Scotland, the South East and the North West saw a considerable rise in investment levels. The largest increase in regional investment was in Scotland, reaching £1.4 billion in the first half of the year, 86% higher than the same period last year – this was largely as a result of spending in Edinburgh and Glasgow. Investment volumes in the North West grew by 46% to £1.2 billion and spending in the South East amounted to of £2.1 billion in H1 2018, representing a 14% increase on the 2017 levels.

Almost half (49%) of investment in UK commercial property in H1 2018 was from international investors. This figure was even higher in central London at 68%. Figures from CoStar indicate that total South Korean expenditure in the UK over the last 12 months was higher than the previous seven years combined. Investment from China and Hong Kong also picked up in Q2, reaching close to £2 billion².

Research from CBRE indicates that regional offices have outperformed in comparison to central London offices, delivering superior returns of 11.7% in the 12 months to June 2018 in comparison to central London office returns of 6.5% – a trend that has been witnessed over the past two years. Outperformance reflected better capital returns (driven by rental growth) as well as an income increase of 2.4%. The Asset Manager expects this trend to continue, enabling Regional REIT to capitalise on greater returns as a result of the Group's size and spread of assets throughout the UK's regional markets.

¹ <http://www.jll.co.uk/united-kingdom/en-gb/research/456/jll-uk-capital-market-h1-2018>

² CoStar UK Commercial Property Investment Review Q2 2018

CBRE research indicates that average yields in regional markets in June 2018 remained unchanged from December 2017 at 6.6%, the lowest figure since their records began in April 2009. However, data shows that the yield spread between prime and secondary properties widened slightly over the last 12 months. Research from CoStar suggests that property prices should be supported in the short-term as healthy market fundamentals continue to attract overseas investment. The Asset Manager expects regional property prices to be resilient as UK institutions searching for value focus on the regional office market.

Occupational Demand in the UK Regional Office Market

GVA estimates that take-up of office space across the Big Nine³ regional office markets reached 1.5 million sq. ft. in Q2 2018, 17% above the 10-year average and bringing total take-up in the first half of the year to 3.0 million sq. ft.. GVA research highlights the strong performance of out-of-town office markets in which take-up in Q2 2018 was 44% above the 10-year average at 1.1 million sq. ft., this follows take-up of 0.8 million sq. ft in Q1 2018. According to CBRE, occupier demand for regional office space in the first half of 2018 showed few signs of Brexit-related uncertainty.

Occupational demand was driven by a range of sectors in the first half of 2018, with the Government Property Unit deals in Manchester and Glasgow in Q1 2018 being of particular note. Additionally, demand from the co-working sector continued, with a total of 278,000 sq. ft taken in Q2 2018, 16% of space taken (above 5,000 sq. ft.). The quarterly average take-up from the co-working sector, since the start of 2017, is 148,000 sq. ft., according to data from GVA.

Strong demand for office space in the regional cities continues to cause supply-side problems, as development pipeline continues to fall behind demand, resulting in an acute supply shortage. Savills⁴ research suggests that the supply of vacant office space decreased each year for the last ten consecutive years, with 12.9 million sq. ft. remaining – 33% lower than 2009 level of 19.1 million sq. ft.. Additionally, of the 7.4 million sq. ft. of speculative development under construction, approximately 55% of this is already pre-let. According to Cushman & Wakefield, supply levels will remain constrained as limited developments are completed, particularly in the regional markets. The Asset Manager believes that the current supply/demand dynamics within the regional office markets will remain unchanged and that the lack of supply for prime stock will continue to drive demand for recently refurbished and good quality secondary office space in good locations throughout the regional markets.

Rental Growth in the UK Regional Office Market

A lack of availability in the Big Nine regional markets has put an upward pressure on headline rents as well as a downward pressure on rent incentives, which has led to an increase of 5.8% in city centre net effective rents in the 12 months to Q2 2018, according to GVA. Out-of-town markets have also experienced growth over the same period, with GVA estimating headline rental growth of 5.8%.

The CBRE Monthly Index shows that rental value growth for the rest of UK office markets in the 12 months to June 2018 was 1.5%, considerably higher than the 0.05% rental growth for central London offices. Cushman and Wakefield expect rental growth in the regions to continue, with mixed short-term performance across central London. Similarly, Colliers International expect rents to increase further in 2018 as demand continues and a lack of Grade A space continues to drive pre-letting activity. Knight Frank forecasts anticipate rental growth of 5%, 0%, 9% and 8% in Glasgow, Leeds, Manchester and Bristol respectively, the four cities to which Regional REIT has its largest exposure. In relation to rental forecasts for the Leeds office market, Regional REIT made the decision in the second half of 2017 to sell GCU House (the Group's second largest property in Leeds by value) rather than refurbish and re-let. This decision was made following an evaluation of the Leeds occupational market. The sale price of CGU House, Leeds was agreed in H2 2017, with completion of sale taking place in Q1 2018 at a 15.4% uplift against the June 2017 valuation.

³ Big Nine regional office markets include: Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester, Newcastle.
<https://www.gva.co.uk/media/42343/the-big-nine-q2-2018.pdf>

⁴ <https://pdf.euro.savills.co.uk/uk/market-in-minute-reports/uk-commercial-market-in-minutes---july-2018.pdf>

The Asset Manager believes regional office markets will continue to experience rental growth and that the secondary office market will continue to witness an uplift in rents as a result of ongoing supply shortages for prime space and lack of speculative development.

Regional REIT's Office Assets

Occupancy by value of the Group's regional offices was 84.4% (30 June 2017: 81.6%; 31 December 2017: 83.2%); occupancy by area was 83.2% (30 June 2017: 81.6%; 31 December 2017: 82.4%). A like-for-like comparison of the Group's regional offices occupancy by value, 30 June versus 31 December 2017, shows that occupancy fell slightly to 83.4% (31 December 2017: 84.6%). In part, this reduction is due to the Group's sales programme during the first half of the year, which included the disposal of some fully let mature assets. The reduction can also be attributed to three significant lease expiries: Royal Burgh House, Glasgow (24,600 sq. ft.), Sheldon Court, Solihull (22,731 sq. ft.) and Westminster House, Leatherhead (9,265 sq. ft.). Meanwhile, a marginal decrease in like-for-like occupancy is due to the delayed refurbishment works being undertaken at Aztec West, Bristol (71,651 sq. ft.), following the Group's decision to replace cladding. WAULT to first-break was 3.0 years (31 December 2017: 3.1 years); like-for-like WAULT to first break was 3.0 years (31 December 2017: 3.1 years).

Occupier Demand Strengthens in the UK Industrial Market

Cushman and Wakefield estimate that take-up in H1 2018 totalled 16.7 million sq. ft., 6.3% higher than the same period in 2017. Take-up in Q1 2018 was 62% higher than the same quarter in 2017, reaching 10.2 million sq. ft., which was the strongest Q1 level since 2015. Demand appeared to slow somewhat in Q2 2018, with take-up of 6.3 million sq. ft. representing a decrease of 32% from the 12 months previous. Cushman and Wakefield attribute this fall to ongoing Brexit negotiations.

Occupier demand within the industrial market continues to benefit from growth in online shopping, as online retailing currently accounts for 17.1% of total retail sales in the UK, according to the ONS. Knight Franks' outlook for 2018 predicts that future occupier requirements will be driven by the need for properties that can accommodate 'higher power requirements and autonomous vehicles'. CBRE's most recent Property Perspective also mirrors this view stating that the market must be 'ready to respond to such innovations'.

In terms of development, although supply remains constrained, some regions have experienced an increase in speculative development⁵, with this figure expected to reach 8.7 million sq. ft., 6% lower than the record levels in 2016. The South East, Midlands and North West have seen the highest rise in speculative development. The Asset Manager anticipates that strong market fundamentals will continue to drive demand for multi-sized, multi-let industrial sites in the UK's regional markets.

Industrial Rental Growth Continues

Research by BNP Paribas Real Estate illustrates that competition for standard industrial space led to rental growth in 2018. The research compared data from the monthly MSCI Index June 2018, which showed rental growth of 1.3% for the three months to June 2018, indicating acceleration from the 1.1% rental growth recorded for the three months to March 2018. Colliers International estimate that strong demand will continue to support rental growth in the second half of 2018.

The Investment Property Forum UK Consensus Forecast, May 2018, anticipates rental growth in the industrial sector of 3.6% in 2018, providing evidence of sustained growth. Additionally, the IPF UK Consensus Forecast predicts 2.4% and 2.0% average rental growth rates respectively for 2019 and 2020. In comparison, the IPF UK Consensus Forecast predicts that the all property average annual rental value growth expected for 2018 is 1.0%.

⁵ Cushman & Wakefield Industrial Market Snapshot Q2 2018

Regional REIT's Industrial Assets

Occupancy by value of the Group's industrial sites as at 30 June 2018 was 87.6% (30 June 2017: 84.1%; 31 December 2017: 87.9%); occupancy by area was 87.9% (30 June 2017: 84.0%; 31 December 2017: 86.4%). A like-for-like comparison of the Group's industrial sites occupancy by value, 30 June 2018 versus 31 December 2017, shows that occupancy fell to 87.1% (31 December 2017: 89.1%). The like-for-like reduction is partly due to the lease expiry at Southview & Southstar, Aberdeen (20,825 sq. ft.) Additionally, the decrease can be attributed to the sale of an industrial portfolio which included a number of fully let assets. WAULT to first-break was 4.7 years (31 December 2017: 4.1 years); like-for-like WAULT to first break was 4.5 years (31 December 2017: 4.4 years).

Property Portfolio

As at 30 June 2018, the Group's property portfolio was valued at £758.7m (30 June 2017: £640.4m; 31 December 2017: £737.3m), with contracted rental income of £61.3m (30 June 2017: £54.6m; 31 December 2017: £61.9m), and an occupancy rate by value of 85.5% (30 June 2017: 83.3%; 31 December 2017: 85.0%). Occupancy by area amounted to 85.1% (30 June 2017: 83.1%; 31 December 2017: 84.3%).

On a like-for-like basis, 30 June 2018 versus 31 December 2017, occupancy by value was 84.8% (31 December 2017: 86.1%) and occupancy by area was 84.5% (31 December 2017: 85.1%).

There were 151 properties (30 June 2017: 150; 31 December 2017: 164), in the portfolio, with 1,294 units (30 June 2017: 1,093; 31 December 2017: 1,368) and 950 tenants (30 June 2017: 823; 31 December 2017: 1,026). If the portfolio was fully occupied at Cushman & Wakefield's and JLL's view of market rents, the gross rental income would be £73.4m per annum as at 30 June 2018 (30 June 2017: £65.1m; 31 December 2017: £73.8m).

As at 30 June 2018, the net initial yield on the portfolio was 6.4% (30 June 2017: 6.7%; 31 December 2017: 6.5%), the equivalent yield was 8.3% (30 June 2017: 8.3%; 31 December 2017: 8.3%) and the reversionary yield was 9.0% (30 June 2017: 9.2%; 31 December 2017: 9.2%).

	Properties	Valuation	% by valuation	Sq. ft.	Occupancy (by value)	Occupancy (by area)	WAULT to first break	Gross rental income	Average rent	ERV	Capital rate	Yield (%)		
		£m	%	mil	%	%	yrs	£m	£psf	£m	£psf	Net initial	Equivalent	Reversionary
Office	97	533.4	70.3%	4.11	84.4%	83.2%	3.0	43.2	12.65	53.0	129.86	6.4%	8.4%	9.2%
Industrial	25	159.1	21.0%	3.72	87.6%	87.9%	4.7	12.3	3.75	14.1	42.75	6.3%	7.9%	8.4%
Retail	27	56.3	7.4%	0.55	89.4%	86.9%	4.3	5.1	10.53	5.5	101.65	7.5%	8.3%	8.8%
Other	2	9.9	1.3%	0.12	94.9%	59.1%	8.8	0.7	9.85	0.8	80.28	6.7%	7.6%	7.3%
Total	151	758.7	100.0%	8.51	85.5%	85.1%	3.5	61.3	8.46	73.4	89.20	6.4%	8.3%	9.0%

	Properties	Valuation	% by valuation	Sq. ft.	Occupancy (by value)	Occupancy (by area)	WAULT to first break	Gross rental income	Average rent	ERV	Capital rate	Yield (%)		
		£m	%	mil	%	%	yrs	£m	£psf	£m	£psf	Net initial	Equivalent	Reversionary
Scotland	42	166.0	21.9%	2.59	83.5%	81.4%	3.5	15.1	7.14	18.3	64.06	7.3%	9.2%	10.3%
South East	30	217.9	28.7%	1.51	94.4%	94.0%	2.7	17.5	12.30	19.0	143.90	6.7%	7.3%	7.9%
North East	19	88.2	11.6%	1.24	85.9%	89.2%	3.0	7.2	6.49	8.8	71.35	6.7%	8.9%	9.5%
Midlands	30	117.4	15.5%	1.38	86.5%	88.1%	3.6	9.6	7.88	10.4	85.09	6.8%	8.4%	8.6%
North West	17	84.5	11.1%	1.12	79.3%	79.3%	5.5	6.2	7.02	8.7	75.54	5.4%	8.8%	9.3%
South West	11	63.8	8.4%	0.42	68.9%	74.1%	3.2	4.1	13.30	6.4	151.87	3.6%	8.2%	9.3%
Wales	2	20.9	2.8%	0.25	88.6%	78.7%	7.0	1.6	8.33	1.8	85.20	6.9%	7.3%	7.6%
Total	151	758.7	100.0%	8.51	85.5%	85.1%	3.5	61.3	8.46	73.4	89.20	6.4%	8.3%	9.0%

Tables may not sum due to rounding

Top 15 Investments (by market value) as at 30 June 2018

Property	Sector	Anchor tenants	Market value	% of portfolio	Lettable area	Let by area	Let by rental value	Annualised gross rent	WAULT to first break
			£m		Sq Ft	%	%	£m	years
Tay House, Glasgow	Office	Barclays Bank Plc, University of Glasgow	32.8	4.3%	156,933	87.7%	87.5%	2.5	3.0
Juniper Park, Basildon	Industrial	A Share & Sons Ltd, Schenker Ltd, Vanguard Logistics Services Ltd	27.4	3.6%	277,228	98.4%	97.0%	2.0	1.6
Genesis Business Park, Woking	Office	Wick Hill Ltd, Alpha Fry Ltd, McCarthy & Stone Retirement Lifestyles Ltd	24.9	3.3%	98,359	100.0%	100.0%	1.9	3.2
Buildings 2 & 3 HBOS Campus, Aylesbury	Office	Scottish Widows Ltd, Agria Pet Insurance Ltd, The Equitable Life Assurance Society	24.4	3.2%	140,676	92.5%	92.8%	2.2	4.5
Wardpark Industrial Estate, Cumbernauld	Industrial	Thomson Pettie Ltd, Cummins Ltd, Balfour Beatty WorkSmart Ltd	22.2	2.9%	686,940	87.2%	86.2%	2.2	2.2
Hampshire Corporate Park, Eastleigh	Office	Aviva Health UK Ltd, The Royal Bank of Scotland Plc, Utilita Energy Ltd, Daisy Wholesale Ltd	19.1	2.5%	85,422	99.2%	99.5%	1.4	2.2
One and Two Newstead Court, Annesley	Office	E.ON UK Plc	16.4	2.2%	146,262	100.0%	100.0%	1.4	2.1
Turnford Place, Cheshunt	Office	Countryside Properties (UK) Ltd, Pulse Healthcare Ltd, Poupart Ltd	16.3	2.1%	59,176	99.5%	100.0%	1.1	2.9
800 Aztec West, Bristol	Office	-	16.2	2.1%	71,651	0.0%	0.0%	0.0	-
Road 4 Winsford Industrial Estate, Winsford	Industrial	Jiffy Packaging Ltd	15.6	2.1%	246,209	100.0%	100.0%	0.9	16.3
Columbus House, Coventry	Office	TUI Northern Europe Ltd	14.5	1.9%	53,253	100.0%	100.0%	1.4	5.5
The Point, Glasgow, Glasgow	Industrial	SeeWoo Foods (Glasgow) Ltd, University of Glasgow, Screwfix Direct Ltd, Euro Car Parts Ltd	14.1	1.9%	169,190	94.1%	100.0%	1.0	5.6
Ashby Park, Ashby De La Zouch	Office	Ceva Logistics Ltd, Hill Rom UK Ltd, Alstom Power Ltd	13.6	1.8%	91,752	100.0%	100.0%	1.1	2.3
Portland Street, Manchester	Office	New College Manchester Ltd, Darwin Loan Solutions Ltd, Mott MacDonald Ltd	13.0	1.7%	54,959	100.0%	96.9%	0.8	2.9
Arena Point, Leeds	Office	The Foundation for Credit Counselling, Interserve Working Futures Ltd, Urquhart-Dykes & Lord LLP	12.5	1.6%	82,498	90.1%	87.4%	0.8	2.4
			282.8	37.3%	2,420,508	91.2%	89.6%	20.7	3.7

Table may not sum due to rounding.

Top 15 Tenants (by share of rental income) as at 30 June 2018

Tenant	Property	Sector	WAULT to first break	Lettable area	% of Gross rental income
			Years	Sq Ft	
Barclays Bank Plc	Tay House, Glasgow	Financial and insurance activities	3.4	78,044	2.7%
EON UK Plc	One & Two Newstead Court, Annesley	Electricity, gas, steam and air conditioning supply	2.1	146,262	2.4%
TUI Northern Europe Ltd	Columbus House, Coventry	Professional, scientific and technical activities	5.5	53,253	2.3%
Scottish Widows Limited	Building 3 HBOS Campus, Aylesbury	Financial and insurance activities	3.4	79,291	2.2%
The Scottish Ministers	Templeton On The Green, Glasgow Calton House, Edinburgh Quadrant House, Dundee The Courtyard, Falkirk	Public sector	2.9	111,076	2.2%
The Royal Bank of Scotland Plc	Hampshire Corporate Park, Hampshire House, Eastleigh Cyan Building, Rotherham	Financial and insurance activities	3.2	88,394	1.9%
Jiffy Packaging Ltd	Road 4 Winsford Industrial Estate, Winsford	Manufacturing	16.3	246,209	1.5%
Fluor Limited	Brennan House, Farnborough	Construction	0.9	29,707	1.2%
SPD Development Co Ltd	Clearblue Innovation Centre, Bedford	Professional, scientific and technical activities	2.3	58,167	1.2%
The Secretary of State for Transport	St Brendans Court, Bristol Festival Court, Glasgow	Public sector	3.5	55,586	1.1%
A Share & Sons Ltd	1-4 Llansamlet Retail Park, Swansea Juniper Park, Basildon	Wholesale and retail trade	5.9	75,791	1.1%
Lloyds Bank Plc	Victory House, Chatham	Financial and insurance activities	0.0	48,372	1.1%
Aviva Health UK Ltd	Hampshire Corporate Park, Eastleigh	Financial and insurance activities	0.5	42,612	1.1%
Sec of State for Communities & Local Govt	Bennett House, Hanley Oakland House, Manchester	Public sector	0.1	52,155	1.0%
Entserv UK Limited	Birchwood Park, Warrington	Information and communication	2.5	50,549	1.0%
Total			3.7	1,215,468	23.9%

Table may not sum due to rounding.

Property Portfolio Sector and Region by Valuation and Income

By Valuation

As at 30 June 2018, 70.3% (30 June 2017: 62.8%; 31 December 2017: 67.3%) of the portfolio by market value was offices and 21.0% (30 June 2017: 26.0%; 31 December 2017: 23.3%) was industrial. The balance was made up of retail and other 8.7% (30 June 2017: 11.2%; 31 December 2017: 9.4%). By UK region, as at 30 June 2018, Scotland represented 21.9% (30 June 2017: 24.9%; 31 December 2017: 22.4%) of the portfolio and England 75.3% (30 June 2017: 71.1%; 31 December 2017: 74.0%); the balance of 2.8% (30 June 2017: 4.0%; 31 December 2017: 3.6%) was in Wales. In England, the largest regions were the South East, the Midlands and the North East.

By Income

As at 30 June 2018, 70.6% (30 June 2017: 63.0%; 31 December 2017: 66.9%) of the portfolio by income was offices and 20.0% (30 June 2017: 25.6%; 31 December 2017: 23.2%) was industrial. The balance was made up of retail and other 9.5% (30 June 2017: 11.4%; 31 December 2017: 10.0%). By UK region, as at 30 June 2018, Scotland represented 24.6% (30 June 2017: 27.9%; 31 December 2017: 25.7%) of the portfolio and England 72.8% (30 June 2017: 68.2%; 31 December 2017: 70.7%); the balance of 2.6% was in Wales (30 June 2017: 4.0%; 31 December 2017: 3.6%). In England, the largest regions were the South East, the Midlands and the North East.

Lease Expiry Profile

The WAULT on the portfolio is 5.3 years (30 June 2017: 5.3 years; 31 December 2017: 5.4 years); WAULT to first break is 3.5 years (30 June 2017: 3.5 years; 31 December 2017: 3.5 years). As at 30 June 2018, 13.5% (30 June 2017: 18.6%; 31 December 2017: 14.1%) of income was from leases which will expire within one year, 15.5% (30 June 2017: 17.1%; 31 December 2017: 18.0%) between one and three years, 24.4% (30 June 2017: 21.2%; 31 December 2017: 22.1%) between three and five years and 46.6% (30 June 2017: 43.0%; 31 December 2017: 45.8%) after five years.

Tenants by Standard Industrial Classification as at 30 June 2018

As at 30 June 2018, 12.7% of income was from tenants in the wholesale and retail trade sector (June 2017: 14.1%; December 2017: 13.8%), 9.8% from the professional, scientific and technical activities sector (June 2017: 11.8%; December 2017: 10.6%), 9.3% from the manufacturing sector (June 2017: 9.7%; December 2017: 9.2%), 9.1% from the information and communication sector (June 2017: 8.1%; December 2017: 8.0%), and 8.7% from the administrative and support services sector (June 2017: 6.8%; December 2017: 8.7%). The remaining exposure is broadly spread.

No tenant represents more than 3% of the Group's contracted rent roll as at 30 June 2018, the largest being 2.7%.

Net Asset Value

Between 1 January 2018 and 30 June 2018, the EPRA Net Asset Value (“NAV”) of the Group rose to £426.5m from £395.7m as at 31 December 2017, which equates to an increase in diluted NAV of 7.7 pence per share (“pps”) to 113.6pps (30 June 2017: 107.3pps; 31 December 2017: 105.9pps). This is after the payment of dividends in the period amounting to 4.30pps.

The EPRA NAV increase of approximately £30.8m since 31 December 2017 is predominately sourced from the revaluation of investment properties held at 31 December 2017 amounting to £27.9m, and the gain on disposal of investment properties of £7.2m.

The investment property portfolio valuation as at 30 June 2018 totalled £758.7m, (30 June 2017: £640.4m; 31 December 2017: £737.3m). The increase since the December 2017 year end is largely a reflection of the aforementioned investment property valuations. In the six months to 30 June 2018, the valuation increased on a like-for-like basis by 4.5%.

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

	Six months ended 30 Jun 18 £m	Six months ended 30 Jun 17 £m	Year ended 31 Dec 17 £m
Acquisitions			
Net (after costs)	42.1	129.6	231.3
Gross (before costs)	40.1	128.7	228.1
Disposals			
Net (after costs)	60.4	3.7	16.9
Gross (before costs)	61.1	3.7	17.4
Capital Expenditure			
Net (after dilapidations)	4.4	4.5	13.4
Gross (before dilapidations)	4.6	4.6	14.8

The diluted EPRA NAV per share increased to 113.6pps (31 December 2017: 105.9pps). The EPRA NAV is reconciled in the table below.

	Six months to 30 June 2018	Six months to 30 June 2018
	£m	Pence per Share
Opening EPRA NAV*	395.7	105.4
Net rental income	26.9	7.2
Administration and other expenses	(9.4)	(2.5)
Gain on the disposal of investment properties	7.2	1.9
Change in the fair value of investment properties	27.9	7.4
EPRA NAV after Operating profit	448.3	119.4
Net Finance expense	(7.6)	(2.0)
Impairment of Goodwill	(0.3)	(0.1)
EPRA NAV before Dividends paid and dilution	440.4	117.3
Dividends paid	(16.0)	(4.3)
Performance Fee Shares	2.1	0.6
Closing EPRA NAV - diluted	426.5	113.6

* Opening year ending 2017 adjusted for the dilution of the performance fee shares

Table may not sum due to roundings

Income Statement

Operating profit before gains and losses on property assets and other investments for the six months ended 30 June 2018 amounted to £17.6m (six months to 30 June 2017: £14.3m). Profit after finance items and before taxation was £45.3m (six months to 30 June 2017: £16.2m). The six months to 30 June 2018 included a full rent roll for properties held as at 31 December 2017, plus the partial rent roll for properties acquired and disposed of during the period. Realised gain on disposal of investment properties amounted to £7.2m (30 June 2017: £0.0m). The change in the fair value of investment properties amounted to a gain of £27.9m (six months to 30 June 2017: £7.5m).

Rental income amounted to £30.6m (six months to 30 June 2017: £23.0m). The increase was primarily the result of the enlarged investment property portfolio.

Currently more than 80% of the rental income is collected within 28 days of the due date and bad debts in the period were £0.3m (six months to 30 June 2017: £0.1m).

The EPRA cost ratio, including direct vacancy costs was 41.8% (six months to 30 June 2017: 37.7%), adjusting for ground rent. The increase in the cost ratio is ostensibly a reflection of the realised gains from the disposal of investment properties in the period, coupled with the change in the fair value of the investment properties resulting in performance fees of £4.2m (six months to 30 June 2017: £0.9m). The EPRA cost ratio, including direct vacancy costs and excluding the performance fee was 28.1% (six months to 30 June 2017: 33.7%).

Non-recoverable property costs amounted to £3.7m (six months to 30 June 2017: £3.5m), whilst the contracted rental income increased to £61.3m (30 June 2017: £54.6m).

Finance expense amount to £7.7m (six months to 30 June 2017: £5.9m).

The Company is a member of the Association of Investment Companies ("AIC"). In accordance with the AIC Code of Corporate Governance, the ongoing charges for the period ending 30 June 2018 were 4.3% (30 June 2017: 5.0%). The Total Return to Shareholders from 6 November 2015 to 30 June 2018 was 32.0% (30 June 2017: 17.7%), an annualised rate of 11.0% pa (30 June 2017: 10.4% pa).

Dividend

In relation to the period 1 January 2018 to 30 June 2018, the Company has declared dividends totalling 3.70pps (Six months to 2017: 3.60pps).

Period	Announcement Date	Ex-Date	Payment Date	Pence Per Share
1 Jan 2016 to 31 Mar 2016	27 May 2016	9 Jun 2016	8 Jul 2016	1.75p
1 Apr 2016 to 30 Jun 2016	1 Sep 2016	8 Sep 2016	7 Oct 2016	1.75p
1 Jul 2016 to 30 Sep 2016	17 Nov 2016	24 Nov 2016	22 Dec 2016	1.75p
1 Oct 2016 to 31 Dec 2016	23 Feb 2017	2 Mar 2017	13 Apr 2017	2.40p
1 Jan 2017 to 31 Mar 2017	25 May 2017	8 Jun 2017	14 Jul 2017	1.80p
1 Apr 2017 to 30 Jun 2017	31 Aug 2017	7 Sep 2017	13 Oct 2017	1.80p
1 Jul 2017 to 30 Sept 2017	17 Nov 2017	23 Nov 2017	22 Dec 2017	1.80p
1 Oct 2017 to 31 Dec 2017	23 Feb 2018	1 Mar 2018	12 Apr 2018	2.45p
1 Jan 2018 to 31 Mar 2018	17 May 2018	24 May 2018	13 Jul 2018	1.85p
1 Apr 2018 to 30 Jun 2018	31 Aug 2018	13 Sep 2018	15 Oct 2018	1.85p

Debt Financing and Gearing

Borrowings comprise third-party bank debt which is secured over properties owned by the Group and repayable over the next one-to-nine years, with a weighted average maturity of 5.4 years (30 June 2017: 2.3 years; 31 December 2017: 6.0 years).

The Group's borrowing facilities are with ICG Longbow Ltd., Royal Bank of Scotland, HSBC, Santander UK, Scottish Widows Ltd. and Aviva Investors Real Estate Finance. These have been fully drawn down. During the period properties have been sold, resulting in debt repayment where debt substitution was not possible. Total bank borrowing at 30 June 2018 amounted to £353.4m (30 June 2017: £298.7m; 31 December 2017: £339.1m) (before unamortised debt issuance costs). In addition to the bank borrowing, the Group has £30 million zero dividend preference shares in issue as at 30 June 2018. The total amount payable on the ZDP shares amounted to £38.5m (30 June 2017: £36.2m; 31 December 2017: £37.4m).

At 30 June 2018, the Group's cash and cash equivalent balances amounted to £79.5m (30 June 2017: £32.2m; 31 December 2017: £44.6m), which includes proceeds from the 29 June 2018 disposal of the light industrial portfolio for £39.1m.

The Group's net loan-to-value ratio stands at 41.2% (30 June 2017: 47.3%; 31 December 2017: 45.0%) before unamortised costs. The Board continues to manage down the net loan-to-value to the Group's long-term target of 40%, with a maximum limit of 50%.

Debt Profile and Loan-to-Value Ratios as at 30 June 2018

Lender	Original Facility	Outstanding Debt*	Use of Locked Funds	Maturity Date	Gross Loan to Value**	Annual Interest Rate
	£'000	£'000				
ICG Longbow Ltd	65,000	65,000	Substitution	Aug-19	41.0%	5.00% Fixed
Royal Bank of Scotland	34,295	34,295	Repayment	Dec-20	46.7%	2.00% over 3mth £ LIBOR
HSBC	20,797	20,797	Repayment	Dec-21	51.1%	2.15% over 3mth £ LIBOR
Santander UK	68,269	68,269	Repayment	Nov-22	41.7%	2.15% over 3mth £ LIBOR
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	165,000	165,000	Substitution	Dec-27	46.0%	3.28% Fixed
	353,361	353,361				
Zero Dividend Preference Shares	39,879	38,524		Jan-19	NA	6.50% Fixed
	393,240	391,885				

* Before unamortised debt issue costs

The Managers continue to monitor the borrowing requirements of the Group. As at 30 June 2018, the Group had substantial headroom against its borrowing covenants.

The net gearing ratio, net debt to ordinary shareholders' equity (diluted), of the Group was 73.7% as at 30 June 2018 (30 June 2017 94.0%; 31 December 2017: 84.5%). The decrease is predominantly a result of the reflection of the realised gains from the disposal of investment properties in the period, coupled with the change in the fair value of the investment properties

Interest cover stands, including amortised costs at 2.3 times (30 June 2017: 2.4 times; 31 December 2017: 3.0 times) including the ZDP, and 2.8 times excluding the ZDP (30 June 2017: 2.7 times; 31 December 2017: 3.5 times).

Hedging

The Group applies an interest rate 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.

	Six months ended	Six months ended	Year ended
	30 Jun 2018	30 Jun 2017	31 Dec 2017
Borrowings interest rate hedged (Incl. ZDP)	93.3%	91.9%	89.8%
Thereof:			
Fixed	68.5%	30.2%	71.0%
Swap	12.4%	27.1%	9.4%
Cap	12.4%	34.5%	9.4%
WACD ¹	3.8%	3.7%	3.8%
WACD - Excluding the ZDPs ²	3.7%	3.3%	3.5%

Table may not sum due to roundings.

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

2. Zero Dividend Preference Shares which were assumed 24th March 2017

Tax

The Group entered the UK REIT regime on 7 November 2015 and all of the Group's UK 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.

The taxation charge of £0.4m is corporation tax arising on the non-REIT regime rental properties.

Subsequent Events after the Reporting Period

There were a number of transactions post the half year, which are set out in the Chairman's Statement.

DIRECTORS' STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties the Group faces are summarised below and described in detail on pages 46 to 48 of the 2017 Annual Report, which is available on the Group's website at www.regionalreit.com - Annual Report 2017. These are also set out in the Company's recent prospectus issued on 19 July 2018. The Audit Committee, which assists the Board with its responsibilities for managing risk, considers that there have been no changes to these principal risks.

Investment risk

Investment decisions could result in lower dividend income and capital returns to our Shareholders.

Economic and political risk

The macro-health of the UK economy could impact on borrowing and hedging costs, demand by tenants for suitable properties and the quality of the tenants.

Tenant risk

Type and concentration of tenants could result in a lower rental income.

Financial and tax change risk

Changes to UK financial legislation and the tax regime could result in lower rental income.

Operational risk

Business disruption could result in lower rental income.

Accounting, legal, and regulatory risk, including environmental risk

Changes to accounting, legal and regulatory legislation could affect the Board's ability to achieve the investment objectives and provide favourable returns to our Shareholders.

The United Kingdom's vote to secede from the European Union

Following the majority vote, on 23 June 2016, to end the UK's membership of the European Union, there is a risk that property valuations may be impacted while this period of uncertainty is negotiated. The Board remains vigilant as to any consequences that may arise.

RSM UK Audit LLP

The condensed consolidated financial statements for the period from 1 January 2018 to 30 June 2018 are unaudited and do not constitute annual statutory accounts for the purposes of the Companies (Guernsey) Law, 2008, as amended.

Going Concern

The financial statements continue to be prepared on a going concern basis. The Directors have reviewed areas of potential financial risk and cash flow forecasts. No material uncertainties have been detected which would influence the Group's ability to continue as a going concern for a period of not less than 12 months. Accordingly, the Board of Directors continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

In accordance with the Disclosure Guidance and Transparency Rule 4.2.10R we, the Directors of the Company (whose names are listed in full at the end of this report), confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, as required by Disclosure Guidance and Transparency Rule DTR 4.2.4R, and gives a true and fair view of the assets, liabilities, financial position and profit of the Group;
- b) the Interim Report, which comprises the Chairman's Statement and the Asset and Investment Managers' Report sections of this report, includes a fair review, under DTR 4.2.7R, of important events that have occurred during the first six months of the financial year, their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- c) the Interim Report, which comprises the Chairman's Statement and the Asset and Investment Managers' Report sections of this report, includes a fair review, under DTR 4.2.8R, of related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position and or performance of the Group during that period; and any changes in the related party transaction described in the last Annual Report that could do so.

This Interim Report was approved and authorised for issue by the Board of Directors on 10 September 2018 and the above responsibility statement was signed on its behalf by Mr Kevin McGrath, Chairman.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Continuing Operations				
Revenue				
Rental income	5	30,626	22,964	52,349
Non-recoverable property costs	6	(3,716)	(3,480)	(6,502)
Net rental income		26,910	19,484	45,847
Administrative and other expenses	7	(9,288)	(5,166)	(9,429)
Operating profit before gains and losses on property assets and other investments		17,622	14,318	36,418
Gain/(loss) on disposal of investment properties	13	7,226	(41)	1,234
Change in fair value of investment properties	13	27,936	7,504	5,893
Operating profit		52,784	21,781	43,545
Finance income	8	103	107	215
Finance expense	9	(7,659)	(5,872)	(14,728)
Impairment of goodwill	14	(279)	(279)	(557)
Net movement in fair value of derivative financial instruments	17	318	447	217
Profit before tax		45,267	16,184	28,692
Taxation	10	(355)	(11)	(1,632)
Total comprehensive income for the period (attributable to owners of the parent Company)		44,912	16,173	27,060

Total comprehensive income arises from continuing operations.

Earnings per share - basic	11	12.0p	5.6p	9.1p
Earnings per share - diluted	11	12.0p	5.6p	9.1p
EPRA earnings per share - basic	11	2.6p	2.9p	8.1p
EPRA earnings per share - diluted	11	2.6p	2.9p	8.1p
Company specific adjusted earnings per share:				
- basic	11	3.8p	3.2p	8.6p
- diluted	11	3.8p	3.2p	8.6p

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

Condensed Consolidated Statement of Financial Position
As at 30 June 2018

	Notes	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Assets				
Non-current assets				
Investment properties	13	758,653	640,405	737,330
Goodwill	14	1,393	1,950	1,672
Derivative financial instruments	17	-	72	-
Non-current receivables on tenant loan		1,493	1,445	1,926
		<u>761,539</u>	<u>643,872</u>	<u>740,928</u>
Current assets				
Trade and other receivables		20,567	14,642	21,947
Cash and cash equivalents		79,520	32,229	44,640
		<u>100,087</u>	<u>46,871</u>	<u>66,587</u>
Total assets		861,626	690,743	807,515
Liabilities				
Current liabilities				
Trade and other payables		(37,468)	(24,529)	(26,941)
Deferred income		(9,817)	(10,244)	(12,667)
Taxation		(2,870)	(1,098)	(2,636)
Bank and loan borrowings	15	(400)	(400)	(400)
Zero dividend preference shares	16	(38,515)	-	-
		<u>(89,070)</u>	<u>(36,271)</u>	<u>(42,644)</u>
Non-current liabilities				
Bank and loan borrowings	15	(348,265)	(295,429)	(333,981)
Zero dividend preference shares	16	-	(36,010)	(37,239)
Derivative financial instruments	17	(434)	(1,035)	(752)
		<u>(348,699)</u>	<u>(332,474)</u>	<u>(371,972)</u>
Total liabilities		(437,769)	(368,745)	(414,616)
Net assets		423,857	321,998	392,899
Equity				
Stated capital	18	370,316	299,880	370,318
Retained earnings		53,541	22,118	22,581
Total equity attributable to owners of the parent		423,857	321,998	392,899
Net assets per share				
Net assets per share – basic	19	113.7p	107.1p	105.4p
Net assets per share – diluted	19	112.9p	107.0p	105.1p
EPRA net assets per share – basic	19	114.4p	107.5p	106.1p
EPRA net assets per share – diluted	19	113.6p	107.3p	105.9p

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Note	Attributable to owners of the parent		
		Stated capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018		370,318	22,581	392,899
Total comprehensive income		-	44,912	44,912
Share based payments		-	2,079	2,079
Share issue costs	18	(2)	-	(2)
Dividends paid	12	-	(16,031)	(16,031)
Balance at 30 June 2018		370,316	53,541	423,857

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Note	Attributable to owners of the parent		
		Stated capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017		274,217	17,518	291,735
Total comprehensive income		-	16,173	16,173
Share based payments		-	419	419
Issue of share capital	18	25,687	-	25,687
Share issue costs	18	(24)	-	(24)
Dividends paid	12	-	(11,992)	(11,992)
Balance at 30 June 2017		299,880	22,118	321,998

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Attributable to owners of the parent		
		Stated capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017		274,217	17,518	291,735
Total comprehensive income		-	27,060	27,060
Share based payments		-	814	814
Issue of share capital	18	98,687	-	98,687
Share issue costs	18	(2,586)	-	(2,586)
Dividends paid	12	-	(22,811)	(22,811)
Balance at 31 December 2017		370,318	22,581	392,899

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

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2018

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Cash flows from operating activities			
Profit for the period before taxation	45,267	16,184	28,692
- Change in fair value of investment properties	(27,936)	(7,504)	(5,893)
- Change in fair value of financial derivative instruments	(318)	(447)	(217)
- (Gain)/loss on disposal of investment properties	(7,226)	41	(1,234)
Impairment of goodwill	279	279	557
Finance income	(103)	(107)	(215)
Finance expense	7,659	5,872	14,728
Share based payments	2,079	419	814
Decrease/(increase) in trade and other receivables	1,455	(43)	(5,479)
Increase/(decrease) in trade and other payables and deferred income	3,117	4,227	8,498
Cash generated from operations	24,273	18,921	40,251
Financial income	250	493	988
Finance costs	(5,901)	(4,599)	(10,155)
Taxation (paid)/received	(131)	51	(236)
Net cash flow generated from operating activities	18,491	14,866	30,848
Investing activities			
Purchase of investment properties	(43,143)	(4,557)	(25,188)
Sale of investment properties	60,371	3,657	16,921
Interest received	59	8	25
Acquisition of subsidiaries net of cash acquired	(2,332)	209	(51,866)
Net cash flow generated from/(used in) investing activities	14,955	(683)	(60,108)
Financing activities			
Proceeds from the issue of shares	-	-	72,654
Share issue costs	(1,190)	(24)	(1,398)
Dividends paid	(9,240)	(7,014)	(23,321)
Net costs paid on the disposal of derivatives	-	-	(441)
Bank borrowings advanced	14,959	10,000	179,540
Bank borrowings repaid	(2,632)	(735)	(165,619)
Bank borrowing costs paid	(463)	(380)	(3,714)
Net cash flow generated from financing activities	1,434	1,847	57,701
Net increase in cash and cash equivalents for the period	34,880	16,030	28,441
Cash and cash equivalents at the start of the period	44,640	16,199	16,199
Cash and cash equivalents at the end of the period	79,520	32,229	44,640

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. Corporate Information

The condensed consolidated financial statements of the Group for the six months ended 30 June 2018 comprise the results of the Company and its subsidiaries (together constituting “the Group”) and were approved by the Board and authorised for issue on 10 September 2018.

Regional REIT Limited (the “Company”) is a company limited by shares incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended. The Company’s Ordinary Shares are admitted to the Official List of the UK Listing Authority, a division of the Financial Conduct Authority (“FCA”) and traded on the London Stock Exchange (“LSE”).

Regional REIT Limited 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, 1987, as amended, and the Registered Collective Investment Schemes Rules 2015.

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 Chairman’s Statement.

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

2. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared on a going concern basis in accordance with the Disclosure and Transparency Rules of the FCA (previously the Financial Services Authority) and with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as adopted by the European Union.

The condensed consolidated financial statements have been prepared on a historical cost basis, as modified for the Group’s investment properties and certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The condensed consolidated interim financial information should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU.

2.1 Comparative period

The comparative financial information presented herein for the six months ended 30 June 2017 and year ended 31 December 2017 do not constitute full statutory accounts within the meaning of The Companies (Guernsey) Law, 2008, as amended. The Group’s Annual Report and Accounts for the year ended 31 December 2017 were delivered to the GFSC. The Group’s independent auditor’s report on those Accounts was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

2.2 Functional and presentation currency

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

2.3 Going concern

The Directors have carefully considered areas of potential financial risk and have reviewed cash flow forecasts. Regional REIT ZDP PLC zero dividend preference shares, which mature on 9 January 2019. Adequate funding is expected to be in place to satisfy the borrowings which mature over the 12 months from approval of these financial statements. No material uncertainties have been detected which would influence the Group’s ability to continue as a going concern for a period of not less than 12 months. The Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

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

2.4 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.

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.

3. Significant accounting judgements, estimates and assumptions

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1. Critical accounting estimates and assumptions

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

3.1.1 Valuation of investment property

The fair value of investment property, which has a carrying value at the reporting date of £758,653,000 (30 June 2017: £640,405,000; 31 December 2017: £737,330,000) is determined, by independent property valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques applying the principles of both IAS 40 Investment Property and IFRS 13 Fair Value Measurement.

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards (January 2017) (the "Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 13.

3.1.2 Fair valuation of interest rate derivatives

In accordance with IFRS 9 Financial Instruments, the Group values its interest rate derivatives at fair value. The fair values are estimated by the loan counterparty with a revaluation occurring on a quarterly basis. The counterparties will use a number of assumptions in determining the fair values including estimates of future interest rates and therefore future cash flows. The fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate. The carrying value of the derivatives at the reporting date was £434,000 (30 June 2017: £963,000; 31 December 2017: £752,000).

3.1.3 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The carrying value of the goodwill at the reporting date was £1,393,000 (30 June 2017: £1,950,000; 31 December 2017: £1,672,000).

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 condensed consolidated 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 Performance Fee

The Asset Manager and the Investment Manager are each entitled to 50% of the 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 performance period consists of the sum of any increase or decrease in EPRA NAV per Ordinary Share and the total dividends per Ordinary Share declared in the performance period.

A performance fee is only payable in respect of a performance period where the EPRA NAV per Ordinary Share exceeds the high-water mark which is equal to the greater of the highest year-end EPRA NAV Ordinary Share in any previous performance period or the placing price (100p per Ordinary Share). The performance fee is to be calculated initially on 31 December 2018, and annually thereafter.

In the period from incorporation to date, the Group has met the criteria of the performance fee. However, future circumstances may dictate that no performance fee is ultimately due. Further details are disclosed in note 19.

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

The Board considers the Group has de facto control of Credential Investment Holdings Limited, and its 27 subsidiaries (the “Credential Sub Group”) by virtue of the Amended and Restated Call Option Agreement dated 3 November 2015. Under this option the Group may acquire any of the properties held by the Credential Group for a nominal consideration post the repayment of the debt. Despite having no equity holding the Group controls the Credential Group as the option agreement means that the Group is exposed to, and has rights to, variable returns from its involvement with the Credential Group.

4. Summary of significant accounting policies

The accounting policies adopted in this report are consistent with those applied in the Group’s statutory accounts for the year ended 31 December 2017 and are expected to be consistently applied for the current year ending 31 December 2018. The changes to the condensed consolidated financial statements arising from accounting standards effective for the first time are noted below:

IFRS 9: Financial Instruments (effective 1 January 2018): The Group now applies an expected credit loss model when calculating impairment losses on its trade and other receivables. Rental guarantees included with trade and other receivables are classified as a financial asset and valued at fair value.

IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018): Rental income is not within the scope of this standard and the accounting treatment is unchanged. Income from the sale of investment properties now follows the recognition criteria outlined in IFRS 15 which has not had any impact on the accounting treatment on the types of investment property sales carried out by the Group.

A review of comparative figures has taken place and it has been determined that the accounting policy change has not had a material impact on the impairment of debtors at 31 December 2017 or 30 June 2017.

5. Rental income

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Rental income – freehold property	26,915	19,915	44,505
Rental income – long leasehold property	3,711	3,049	7,844
Total	30,626	22,964	52,349

6. Non-recoverable property costs

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Property expenses and irrecoverable costs	3,716	3,480	6,502

Non-recoverable property costs represent direct operating expenses which arise on investment properties generating rental income

7. Administrative and other expenses

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Investment management fees	1,180	796	1,732
Property management fees	1,133	914	1,972
Performance fees	4,158	838	1,610
Asset management fees	1,181	802	1,739
Directors' remuneration	115	95	190
Administration fees	287	297	702
Legal and professional fees	787	829	1,493
Marketing and promotion	35	32	68
Other administrative costs (including bad debts)	399	286	689
Bank charges	13	15	28
VAT recoverable for previous periods	-	-	(794)
VAT recoverable deducted from expenses above	-	262	-
Total	9,288	5,166	9,429

Expenses are now shown net of VAT recoverable and comparative figures have been adjusted to be disclosed net of VAT.

8. Finance income

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Interest income	59	7	25
Unwinding of the discount on financial assets	44	100	190
Total	103	107	215

9. Finance expense

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Interest payable on bank borrowings	5,901	4,599	9,550
Accrued capital entitlement on ZDP shares	1,203	615	1,769
Amortisation of loan arrangement fees	482	619	722
Amortisation of ZDP share acquisition costs	73	39	114
Break costs associated with refinancing	-	-	605
Loan arrangement fees recognised early due to refinancing	-	-	1,968
Total	7,659	5,872	14,728

10. Taxation

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Income tax charge	161	11	208
Increase in deferred tax creditor	194	-	1,424
Total	355	11	1,632

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 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.

Income tax and deferred tax above arise on entities which form part of the Group condensed consolidated accounts but do not form part of the REIT group.

Due to the Group's REIT status and its intention to continue meeting the conditions required to obtain approval in the foreseeable future, no provision has been made for deferred tax on any capital gains or losses arising on the

revaluation or disposal of investments held by entities within the REIT group. No deferred tax asset has been recognised in respect of losses carried forward due to unpredictability of future taxable profits.

11. Earnings per share

Earnings per share ("EPS") amounts are calculated by dividing profits for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As there are dilutive instruments outstanding both basic and diluted EPS are disclosed below.

Dilutive instruments relate to the partial settlement of the performance fee by the issue of Ordinary Shares. As detailed in note 21, an estimate of the performance fee for the period from commencement of trading to 30 June 2018 has been recognised in the financial statements. An estimate has been made of the number of shares that would be issued based on the EPRA NAV as at 30 June 2018. It should be noted that the first performance fee charge runs for the period from 6 November 2015 to 31 December 2018 and the shares issued to settle the charge will be calculated by reference to the diluted EPRA NAV as at 31 December 2018.

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

	Six months ended 30 June 2018 (unaudited) £'000	Six month ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Net profit attributable to Ordinary Shareholders	44,912	16,173	27,060
Adjustments to remove:			
Changes in value of investment properties	(27,936)	(7,504)	(5,893)
Changes in fair value of interest rate derivatives and financial assets	(362)	(547)	(407)
(Gain)/loss on disposal of investment property	(7,226)	41	(1,234)
Impairment of goodwill	279	279	557
Deferred tax charge	194	-	1,424
Close out costs on borrowings and derivatives	-	-	2,507
EPRA Net profit attributable to Ordinary Shareholders	9,861	8,442	24,014
Add performance fee	4,158	838	1,610
Company specific adjusted earnings	14,018	9,280	25,624
Weighted average number of Ordinary Shares	372,821,136	288,616,920	296,807,647
Dilutive instruments	2,629,289	497,018	875,752
Adjusted weighted average number of Ordinary Shares	375,450,425	289,113,938	297,683,399
Earnings per share - basic	12.0p	5.6p	9.1p
Earnings per share - diluted	12.0p	5.6p	9.1p
EPRA Earnings per share - basic	2.6p	2.9p	8.1p
EPRA Earnings per share - diluted	2.6p	2.9p	8.1p
Company specific adjusted earnings per share:			
- basic	3.8p	3.2p	8.6p
- diluted	3.8p	3.2p	8.6p

The company specific adjusted earnings per share excludes the performance fee.

12. Dividends

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Dividends			
Dividend of 2.45 (2017: 2.40) pence per Ordinary share for the period 1 October – 31 December	9,134	6,582	6,581
Dividend of 1.85 (2017: 1.80) pence per Ordinary share for the period 1 January – 31 March	6,897	5,410	5,410
Dividend of 1.80 pence per Ordinary share for the period 1 April – 30 June	-	-	5,410
Dividend of 1.80 pence per Ordinary share for the period 1 July – 30 September	-	-	5,410
Total	16,031	11,992	22,811

On 22 February 2018, the Company announced a dividend of 2.45 pence per share in respect of the period 1 October 2017 to 31 December 2017. The dividend payment was made on 12 April 2018 to shareholders on the register as at 2 March 2018.

On 17 May 2018, the Company announced a dividend of 1.85 pence per share in respect of the period 1 January 2018 to 31 March 2018. The dividend payment was made on 13 July 2018 to shareholders on the register as at 25 May 2018.

On 31 August 2018, the Company announced a dividend in respect of the period 1 April 2018 to 30 June 2018 of 1.85 pence per share, which will be paid on 15 October 2018 to shareholders on the register as at 14 September 2018. These condensed consolidated financial statements do not reflect this dividend.

13. Investment properties

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

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

All corporate acquisitions during the period have been treated as properties purchased rather than business combinations.

Movement in investment properties for the six months ended 30 June 2018	Freehold Property £'000	Long Leasehold Property £'000	Total £'000
Valuation at 1 January 2018	636,600	100,730	737,330
Property additions - acquisitions	42,150	-	42,150
Property additions - subsequent expenditure	4,185	197	4,382
Property disposals	(55,361)	(5,010)	(60,371)
Gain/(loss) on the disposal of investment properties	7,441	(215)	7,226
Change in fair value during the period	28,104	(168)	27,936
Valuation at 30 June 2018 (unaudited)	663,119	95,534	758,653

Movement in investment properties for the six months ended 30 June 2017	Freehold Property £'000	Long Leasehold Property £'000	Total £'000
Valuation at 1 January 2017	424,310	78,115	502,425
Property additions - acquisitions	114,391	15,226	129,617
Property additions - subsequent expenditure	3,909	648	4,557
Property disposals	(3,657)	-	(3,657)
Loss on the disposal of investment properties	(41)	-	(41)
Change in fair value during the period	6,619	885	7,504
Valuation at 30 June 2017 (unaudited)	545,531	94,874	640,405

Movement in investment properties for the year ended 31 December 2017	Freehold Property £'000	Long Leasehold Property £'000	Total £'000
Valuation at 1 January 2017	424,310	78,115	502,425
Property additions - acquisitions	212,332	18,994	231,326
Property additions - subsequent expenditure	12,444	929	13,373
Property disposals	(16,921)	-	(16,921)
Gain on the disposal of investment properties	1,234	-	1,234
Change in fair value during the year	3,201	2,692	5,893
Valuation at 31 December 2017 (audited)	636,600	100,730	737,330

The historic cost of the properties was £627,063,000 (30 June 2017: £619,657,000; 31 December 2017: £628,723,000).

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

Date of valuation:	Total £'000	Quoted active prices (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
30 June 2018	758,653	-	-	758,653
30 June 2017 (as restated)	640,405	-	-	640,405
31 December 2017	737,330	-	-	737,330

The hierarchy levels are defined in note 17.

It has been determined that the entire investment properties portfolio should be classified under the level 3 category and the assets have been transferred to level 3 at the beginning of the year 2017. There have been no transfers between levels during the period.

The determination of the fair value of the investment properties held by each consolidated subsidiary requires the use of estimates such as future cash flows from investment properties, which take into consideration lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, 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.

The current volatility in the global financial system is reflected in commercial real estate markets. In arriving at their estimates of fair values as at 30 June 2018, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. With greater volatility in the global financial system, there was a greater degree of uncertainty in estimating the market values of investments than would exist in a more stable market.

Techniques used for valuing investment properties

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

Valuation technique: market comparable method

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

Observable Input: Market Rental

The rent at which space could be let in the market conditions prevailing at the date of valuation (range: £2,770-£3,092,226 per annum (30 June 2017: £2,860-£3,119,381 per annum; 31 December 2017: £2,860-£3,092,125 per annum)).

Observable Input: Rental growth

The estimated average increase in rent is based on both market estimations and contractual agreements.

Observable Input: net initial yield

The initial Net Income from a property at the accounting date, expressed as a percentage of the gross purchase price including the costs of purchase (range: 0% - 26.99% (30 June 2017: 1.43% - 25.74%; 31 December 2017: 0% - 29.94%)).

As set out within the significant accounting estimates and judgements above, 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.

14. Goodwill

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
At start of period	1,672	2,229	2,229
Impairment	(279)	(279)	(557)
At end of period	1,393	1,950	1,672

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Group's Statement of Comprehensive Income.

Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. The impairment review is based on group pre-tax-cash flow projections of cost savings of the Group as a whole as a single cash generating unit using a discount factor of 2.3%, which is based on borrowing margins currently available. If a reasonable change occurs in a key assumption the recoverable amount of goodwill would still be expected to be equal to the carrying value. The impairment review was conducted over a five-year period, which is predominately derived from the borrowings facility terms, and will result in a nil terminal value.

15. Bank and loan borrowings

Bank borrowings are secured by charges over individual 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 period end are offset against amounts drawn on the facilities as shown in the table below:

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Bank borrowings drawn at start of period	339,074	220,060	220,060
Bank borrowings drawn	16,919	79,398	284,633
Bank borrowings repaid	(2,632)	(735)	(165,619)
Bank borrowings drawn at end of period	353,361	298,723	339,074
Less: unamortised costs at start of period	(4,693)	(2,618)	(2,618)
Less: loan issue costs incurred in the period	(485)	(895)	(4,765)
Add: loan issue costs amortised in the period	482	619	2,690
At end of period	348,665	295,829	334,381
Maturity of bank borrowings			
Repayable within 1 year	400	400	400
Repayable between 1 to 2 years	65,400	95,300	65,400
Repayable between 2 to 5 years	122,561	203,023	108,274
Repayable after more than 5 years	165,000	-	165,000
Amortised loan issue costs	(4,696)	(2,894)	(4,693)
Total	348,665	295,829	334,381

As detailed in note 16 the Group also has 30,000,000 ZDP shares in issue.

The table below lists the Group's loan facilities held and the liability due to the ZDP shares.

Lender	Original Facility £'000	Outstanding Debt* £'000	Maturity Date	Gross Loan to Value** %	Annual Interest rate	Amortisation
ICG Longbow Ltd	65,000	65,000	Aug-19	41.0	5.00% pa for term	none
Royal Bank of Scotland	34,295	34,295	Dec-20	46.7	2.00% over 3mth £ LIBOR	MP
HSBC	20,797	20,797	Dec-21	51.1	2.15% over 3mth £ LIBOR	MP
Santander UK	68,269	68,269	Nov-22	41.7	2.15% over 3mth £ LIBOR	MP
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	165,000	165,000	Dec-27	46.0	3.28% pa for term	MP
Total bank borrowings	353,361	353,361				
ZDP Shares	39,879	38,524	Jan-19	n/a	6.50% pa to maturity	none
Total	393,240	391,885				

BoE = Bank of England

LIBOR = London Interbank Offered Rate (Sterling)

MP = Mandatory prepayment

* Before unamortised debt issue costs

** Based upon Cushman & Wakefield and Jones Lang LaSalle property valuations

The weighted average term to maturity of the Group's debt at the period end was 5.4 years (30 June 2017: 2.3 years; 31 December 2017: 6 years). The weighted average interest rate payable by the Group on its debt portfolio, excluding hedging costs, as at the period end was 3.7%pa (30 June 2017: 3.4%pa; 31 December 2017: 3.7%pa).

The Group has been in compliance with all of the financial covenants of the above facilities as applicable throughout the period covered by these condensed consolidated financial statements. Each facility has distinct covenants which generally include: historic interest cover, projected interest cover, loan to value cover and debt service cover. A breach of agreed covenant levels would typically result in an event of default of the perspective 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 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 17, the Group uses a combination of interest rate swaps and fixed rate bearing loans to hedge against interest rate risks. The Group's exposure to interest rate volatility is minimal.

16. Zero dividend preference shares

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
At start of period	37,239	-	-
Fair value arising on the acquisition of subsidiaries	-	35,620	35,620
Acquisition costs	-	(264)	(264)
Amortisation of acquisition costs	73	39	114
Accrued capital entitlement	1,203	615	1,769
Fair value at end of period	38,515	36,010	37,239

The Group entity, Regional REIT ZDP PLC, has 30,000,000 zero dividend preference shares ("ZDP shares") in issue. The ZDP shares were issued at 100 pence per share. The ZDP shares have an entitlement to receive a fixed cash amount on 9 January 2019, being the maturity date, but do not receive any dividends or income distributions. Additional capital accrues to the ZDP shares on a daily basis at a rate equivalent to 6.5% per annum (5.5% per annum until 24 March 2017), resulting in a final capital entitlement of 132.9 pence per share. The ZDP shares are listed on the London Stock Exchange (LSE: RGLZ).

During the period, the Group accrued £1,203,000 (30 June 2017: £615,000; 31 December 2017: £1,769,000) of additional capital payable. The total amount repayable at maturity will be £39,879,000.

The ZDP shares do not carry the right to vote at general meetings of Regional REIT ZDP PLC, although they carry the right to vote as a class on certain proposals which would be likely to materially affect their position. In the event of a winding-up of Regional REIT ZDP PLC, the capital entitlement of the ZDP shares will rank ahead of ordinary shares but behind other creditors of Regional REIT ZDP PLC.

17. 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.

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Fair value at start of period	(752)	(1,513)	(1,513)
Fair value of derivative financial instruments arising on the acquisition of subsidiaries	-	103	103
Net costs of disposing of derivative financial instruments	-	-	441
Revaluation in the period	318	447	217
Fair value at end of period	(434)	(963)	(752)
Derivative assets	-	72	-
Derivative liabilities	(434)	(1,035)	(752)
Total	(434)	(963)	(752)

The fair value of interest rate caps and swaps represents the net present value of the difference between the cash flows produced by the contracted rate and the current market rate over the life of the instrument.

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

Lender	Original Facility £'000	Outstanding Debt £'000	Maturity Date	Annual Interest rate	Notional Amount £'000	Rate %
ICG Longbow Ltd	65,000	65,000	Aug-19	5.00% pa for term	n/a	n/a
Royal Bank of Scotland	34,295	34,295	Dec-20	2.00% over 3mth £ LIBOR	8,688 8,688	1.34% 1.34%
HSBC	20,797	20,797	Dec-21	2.15% over 3mth £ LIBOR	n/a	n/a
Santander UK	68,269	68,269	Nov-22	2.15% over 3mth £ LIBOR	35,350 35,350	1.605% 1.605%
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	165,000	165,000	Dec-27	3.28%pa for term	n/a	n/a
ZDP Shares	<u>39,879</u>	<u>38,524</u>	Jan-19	6.50% pa to maturity	n/a	n/a
Total	<u>393,240</u>	<u>391,885</u>				

BoE = Bank of England

LIBOR = London Interbank Offered Rate (Sterling)

As at 30 June 2018, the swap notional arrangements were £35.4m (30 June 2017: £90.9m; 31 December 2017: £35.4m).

The Group weighted average effective interest rate of 3.8% (30 June 2017: 3.7%; 31 December 2017: 3.8%) inclusive of hedging costs and including the ZDP shares.

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 loan portfolio using fixed-rate facilities or interest rate derivatives. As at the period end date the total proportion of hedged debt equated to 90.0 % (30 June 2017: 90.9%; 31 December 2017: 88.5%), as shown below.

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Total bank borrowings	<u>353,361</u>	<u>298,723</u>	<u>339,074</u>
Notional value of interest rate caps and swaps	88,076	206,481	70,700
Value of fixed rate debts	<u>230,000</u>	<u>65,000</u>	<u>230,000</u>
	<u>318,076</u>	<u>271,481</u>	<u>300,700</u>
Proportion of hedged debt	<u>90.0%</u>	<u>90.9%</u>	<u>88.7%</u>

Fair value hierarchy

The following table provides the fair value measurement hierarchy for interest rate derivatives.

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 condensed 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.

	Total £'000	Quoted active prices (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
Interest rate derivatives				
30 June 2018	(434)	-	(434)	-
30 June 2017	(963)	-	(963)	-
31 December 2017	(752)	-	(752)	-

The fair values of these contracts are recorded in the Condensed Consolidated Statement of Financial Position and are determined by forming an expectation that interest rates will exceed strike rates and by discounting these future cash flows at the prevailing market rates as at the period end.

There have been no transfers between levels during the period.

The Group has not adopted hedge accounting.

18. Stated capital

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

Issued and fully paid shares at no par value	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
At start of the period	370,318	274,217	274,217
Shares issued 24/03/17	-	25,687	25,687
Shares issued 21/12/17	-	-	73,000
Share issue costs	(2)	(24)	(2,586)
At end of the period	370,316	299,880	370,318
Number of shares in issue	shares	shares	shares
At start of the period	372,821,136	274,217,264	274,217,264
Shares issued 24/03/17	-	26,326,644	26,326,644
Shares issued 21/12/17	-	-	72,277,228
At end of the period	372,821,136	300,543,908	372,821,136

19. 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 in issue at the end of the period. As there are dilutive instruments outstanding, basic and diluted NAV per share are disclosed below.

Dilutive instruments relate to the partial settlement of the performance fee by the future issue of Ordinary Shares. As detailed in note 21, an estimate performance fee for the period from commencement of trading to 31 December 2017 has been recognised in the financial statements. An estimate has been made of the number of shares that would be issued based on the EPRA NAV at 30 June 2018. It should be noted that the first performance fee charge runs for the period from 6 November 2015 to 31 December 2018 and the shares issued to settle the charge will be based on the diluted EPRA NAV as at 31 December 2018.

EPRA NAV is a key performance measure used in the real estate industry which highlights the fair value of net assets on an ongoing long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of derivatives and deferred taxes on property valuation surpluses are therefore excluded.

Net asset values have been calculated as follows:

	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Net asset value per Condensed Consolidated Statement of Financial Position	423,857	321,998	392,899
Adjustment for calculating EPRA net assets:			
Derivative financial instruments	434	963	752
Deferred tax liability	2,244	-	2,050
EPRA net assets	426,535	322,961	395,701
Number of Ordinary Shares	372,821,136	300,543,908	372,821,136
Dilutive instruments	2,629,289	497,018	875,752
Adjusted number of Ordinary Shares	375,450,425	301,040,926	373,696,888
Net asset value per share - basic	113.7p	107.1p	105.4p
Net asset value per share - diluted	112.9p	107.0p	105.1p
EPRA net asset value per share - basic	114.4p	107.5p	106.1p
EPRA net asset value per share - diluted	113.6p	107.3p	105.9p

20. Segmental information

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

21. Transactions with related parties

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

Stephen Inglis is a non-executive Director of Regional REIT, as well as being the Chief Executive Officer of London & Scottish Investments Limited and a director of London & Scottish Property Asset Management

Limited. The former company has been contracted to act as the Asset Manager of the Group and the latter as the Property Manager.

In consideration for the provision of services provided, the Asset Manager is entitled in each financial year (or part thereof) to 50% of an annual management fee on a scaled rate of 1.1% of the EPRA net asset value (NAV), 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 future, procure that London & Scottish Property Asset Management Limited is appointed as the Property Manager. A property management fee of 4% per annum is charged by the Property Manager on a quarterly basis: 31 March, 30 June, 30 September, and 31 December, based upon the gross rental yield. Gross rental yield means the rents due under the property's lease for the peaceful enjoyment of the property, including any value paid in respect of rental renunciations but excluding any sums paid in connection with service charges or insurance costs.

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

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

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Asset management fees charged*	1,181	802	1,739
Property management fees charged*	1,133	914	1,972
Performance fee	2,079	419	814
Total	4,393	2,135	4,525
	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Total fees outstanding**	4,220	1,513	1,882

* Including irrecoverable VAT charged where appropriate

** Including amounts to be settled by the issue of Ordinary shares

Transactions with the Investment Manager, Toscafund Asset Management LLP

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

In consideration for the provision of services provided, the Investment Manager is entitled in each financial year (or part thereof) to 50% of an annual management fee on a scaled rate of 1.1% of the EPRA net asset value (NAV), reducing to 0.9% on net assets over £500,000,000. The fee is payable in cash quarterly in arrears.

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

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

	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Investment management fees charged	1,180	796	1,732
Performance fee	2,079	419	814
Total	3,259	1,215	2,546
	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Total fees outstanding*	3,551	936	1,378

* Including amounts to be settled by the issue of Ordinary shares

Performance fee

The Asset Manager and the Investment Manager are each entitled to 50% of a performance fee. The fee is calculated at a rate of 15% of the total shareholder return in excess of the hurdle rate of 8% per annum for the relevant performance period. Total shareholder return for any financial year consists of the sum of any increase or decrease in EPRA NAV 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 NAV per Ordinary Share exceeds the high-water mark which is equal to the greater of the highest year-end EPRA NAV Ordinary Share in any previous performance period or the placing price (100p per Ordinary Share). The performance fee is to be calculated initially on 31 December 2018, and annually thereafter.

The performance fee for the first performance period, 6 November 2015 to 31 December 2018, is payable 50% in cash, and 50% in Ordinary Shares. The shares are to be issued at the prevailing price per Ordinary Share at the date of issue, and are to be locked-in for one year.

The performance fees for subsequent years are payable 34% in cash and 66% in Ordinary Shares, again 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.

Based on the EPRA NAV of the Group as at 30 June 2018 and assuming the hurdle annual rate of return is exceeded on average over the remainder of the period to 31 December 2018 the performance fee liability for the period from commencement of trading to 30 June 2018 was estimated at £6,016,000 (30 June 2017: £1,068,000; 31 December 2017: £1,859,000). This fee has been accrued in the consolidated financial statements for the six months ended 30 June 2017 and at 31 December 2016 respectively. To reflect the nature of the future payment of the performance fee charge, 50% of the fee, has been accrued as a liability totalling £3,008,000 (30 June 2017: £534,000; 31 December 2017: £930,000) and the 50% of the fee which is payable by the issue of Ordinary Shares has been reflected as a share based payment in the condensed consolidated statement of changes in equity.

22. Subsequent events

On 18 July 2018, the Company announced the launch of a sterling 4.5% retail eligible bond due 2024 paying a fixed rate of interest semi-annually in equal instalments. On 7 August 2018, the Company announced the successful raise of £50.0m in the bond issue and admission of the bonds to trading on the London Stock Exchange.

On 8 August 2018, the Group announced the completion of the disposal of a development site in Leeds to Unite Group plc for £12.2m (30 June 2018 valuation: £3.9m). Following the acquisition of the site for £10.5m in 2016, the Company's Asset Manager recognised the potential for the repositioning of part of this asset for alternative use. This involved the early surrender of the lease and agreement to a joint venture with Unite Group plc. Regional REIT retains the 19 storey Arena Point office building currently valued at £8.5m (book value as at 31 December 2017).

On 13 August 2018, the Group announced the exchange and completion of the disposal of the multi-let industrial estate Wardpark, Cumbernauld, Scotland. The sale price of £26.4m (30 June 2018 valuation: £24.5m). Wardpark benefitted from a proactive asset management strategy, which resulted in both improved occupancy and high retention rates amongst tenants, approximately 30% of which have had a presence on the estate for over 15 years. Initiatives undertaken include the rolling refurbishment of vacant units, the creation of a trade counter area on the estate and the renewal of core holding leases. Tenants include Virgin Media Wholesale, Screwfix and Balfour Beatty.

On 17 August 2018, the Group announced the exchange and completion on contracts to purchase eight office assets for a consideration of £31.4m. The portfolio consists of eight offices located in Hull, High Wycombe, Stockton-on-Tees, Ipswich, Clevedon, Wakefield, Deeside and Lincoln.

On 10 September 2018, the Group announced the disposal of Turnford Place, Cheshunt for £17.25m (30 June 2018 valuation: £16.3m).

EPRA Performance Measures

The Group is a member of the European Public Real Estate Association ("EPRA").

EPRA have developed and defined the following performance measures to give transparency, comparability and relevance of financial reporting across entities which may use different accounting standards. The Group is pleased to disclose the following measures which are calculated in accordance with EPRA guidance:

EPRA Performance Measure	Definition	EPRA Performance Measure	30 June 2018	31 December 2017
EPRA EARNINGS	Earnings from operational activities.	EPRA Earnings	£9,861,000	£24,014,000
		EPRA Earnings per share (basic)	2.6p	8.1p
		EPRA Earnings per share (diluted)	2.6p	8.1p
Company Adjusted Earnings	Company Specific Earnings Measure which adds back the performance fee charged in the accounts	Adjusted Earnings	£14,019,000	£25,264,000
		EPRA Earnings per share (basic)	3.8p	8.6p
		EPRA Earnings per share (diluted)	3.8p	8.6p
EPRA NAV	Net Asset Value adjusted to include properties and other investment interest at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	EPRA Net Asset Value	£426,535,000	£395,701,000
		EPRA NAV per share (basic)	114.4p	106.1p
		EPRA NAV per share (diluted)	113.6p	105.9p
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	EPRA NNNAV	£423,857,000	£392,899,000
		EPRA NNNAV per share (basic)	113.7p	105.4p
		EPRA NNNAV per share (diluted)	112.9p	105.1p
EPRA COSTS RATIO	Administrative & operating costs (including & excluding costs of direct vacancy divided by gross rental income	EPRA Costs Ratio	41.8%	29.7%
		EPRA Costs Ratio (excluding direct vacancy costs)	31.5%	19.1%

Notes to the calculation of EPRA performance measures

1. EPRA Earnings

For calculations, please refer to note 11 to the financial statements.

2. EPRA NAV

For calculations please refer to note 19 to the financial statements.

3. EPRA NNNAV

This is equivalent to the IFRS NAV and calculations are detailed in note 19 to the financial statements.

4. EPRA Costs Ratios

	30 June 2018 £'000	31 December 2017 £'000
Operating costs	3,716	6,502
Less ground rent	(343)	(563)
Add administrative and other expenses	9,288	9,429
EPRA costs (including direct vacancy costs)	12,661	15,368
Direct vacancy costs	(3,001)	(5,522)
EPRA costs (excluding direct vacancy costs)	9,660	9,846
Gross rental income	30,626	52,349
Less ground rent	(343)	(563)
Gross rental income less ground rents	30,283	51,786
EPRA Cost Ratio (including direct vacancy costs)	41.8%	29.7%
EPRA Cost Ratio (excluding direct vacancy costs)	31.5%	19.1%

It should be noted that the EPRA Costs in the above calculations include the performance fee cost for the period of £4,158,000 (year ended 31 December 2017: £1,610,000). The EPRA cost ratio excluding the performance fee from costs would be as follows:

Adjusted EPRA Cost Ratio (including direct vacancy costs)	28.1%	26.6%
Adjusted EPRA Cost Ratio (excluding direct vacancy costs)	18.2%	15.9%

COMPANY INFORMATION

Directors

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

Company Secretary

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SEDOL:	BYV2ZQ3
Legal Entity Identifier:	549300D8G4NKLRIBX73

Forthcoming Events

October 2018	Payment of Q2 2018 Dividend
November 2018	Q3 2018 Trading Update and Dividend Declaration Announcement
March 2019	Full year 2018 Preliminary Results Announcement
	Q4 2018 Dividend Declaration Announcement and Portfolio Valuation
May 2019	May 2019 Trading Update and Outlook Announcement
	Q1 2019 Dividend Declaration Announcement
	Annual General Meeting

Note: all future dates are provisional and subject to change.
www.regionalreit.com