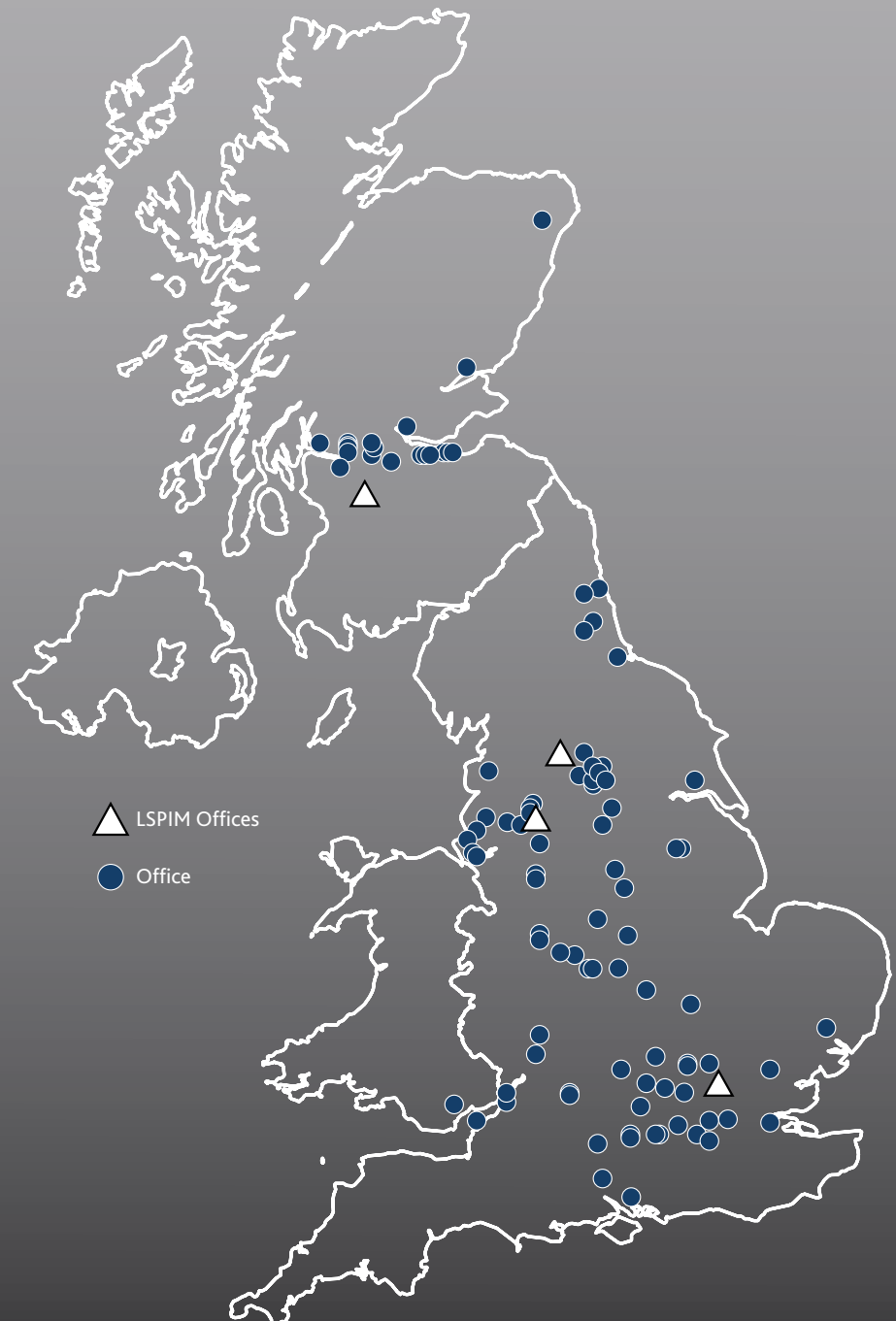


HALF YEARLY REPORT

for the period ended

30 June 2021



ABOUT US

High dividend distribution UK REIT, offering exposure to the regional commercial office property market, with active management by an experienced asset manager.

Regional REIT Limited ("Regional REIT" or the "Company") and its subsidiaries¹ (the "Group") is a United Kingdom ("UK") listed real estate investment trust that launched in November 2015. It is managed by London & Scottish Property Investment Management Limited, the Asset Manager, and Toscafund Asset Management LLP ("Toscafund"), the Investment Manager (together the "Managers"). Regional REIT's commercial property portfolio is comprised wholly of UK assets, predominantly offices, located in regional centres outside of the M25 motorway. For more information, visit the Group's website: www.regionalreit.com.

OUR PURPOSE

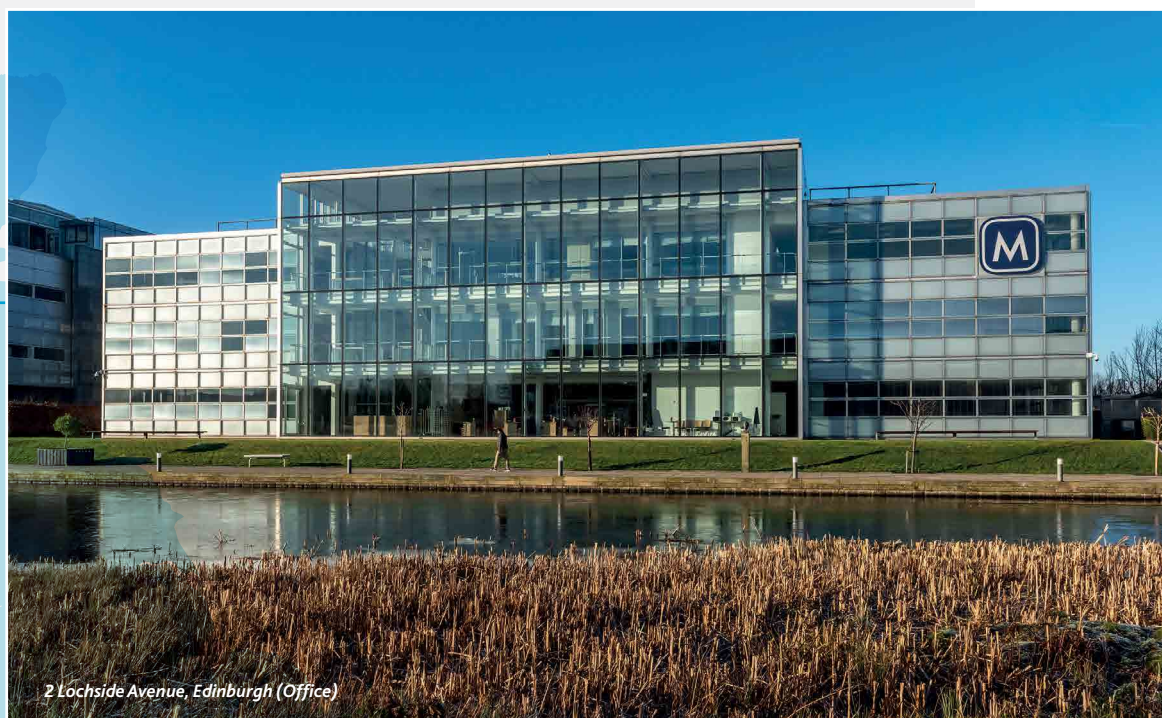
- The purpose of the Company is to deliver long-term returns for Shareholders with income generated from investment in UK commercial property outside of the M25 motorway.

OUR VALUES

- Openness and transparency
- Integrity, reliability and good governance
- Collaboration
- Adapt and evolve

OUR CULTURE

- Constructive debate
- Collaborative atmosphere and long-term relationships
- Ongoing dialogue and engagement with stakeholders
- Openness, transparency and integrity



2 Lochside Avenue, Edinburgh (Office)

¹ Regional REIT Limited is the parent Company of a number of subsidiaries which together comprise a group within the definition of The Companies (Guernsey) Law 2008, as amended (the "Law") and the International Financial Reporting Standard ("IFRS") 10, 'Consolidated Financial Statements', as issued by the International Accounting Standards Board ("IASB") and as contained in UK-adopted International Accounting Standards. Unless otherwise stated, the text of this Half-Yearly Report does not distinguish between the activities of the Company and those of its subsidiaries.

Financial Highlights

INCOME FOCUSED – OPPORTUNISTIC BUYING AND STRATEGIC SELLING, COUPLED WITH INTENSIVE ASSET MANAGEMENT, CONTINUES TO SECURE LONG-TERM INCOME

AS AT 30 JUNE 2021

PORTFOLIO VALUATION



£729.1m

(31 December 2020: £732.4m)

IFRS NAV PER SHARE



98.5p

(31 December 2020: 97.5p)

EPRA NTA PER SHARE



99.1p

(31 December 2020: 98.6p)

NET LOAN TO VALUE RATIO*



39.8%

(31 December 2020: 40.8%)

WEIGHTED AVERAGE COST OF DEBT*



3.3%

(31 December 2020: 3.3%)

WEIGHTED AVERAGE DEBT DURATION*



6.0yrs

(31 December 2020: 6.4yrs)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

DIVIDEND DECLARED PER SHARE



3.2p

(Six months ended 30 June 2020: 3.4p)

CONTENTS

Financial Highlights	1
Chairman's Statement	2
Asset and Investment Managers' Report	5
Directors' Statement of Principal Risks and Uncertainties	17
Interim Management Report and Directors' Responsibility Statement	18
Condensed Consolidated Statement of Comprehensive Income	19
Condensed Consolidated Statement of Financial Position	20
Condensed Consolidated Statement of Changes in Equity	21
Condensed Consolidated Statement of Cash Flows	22
Notes to the Consolidated Financial Statements	23
EPRA Performance Measures	39
Notes to the Calculation of EPRA Performance Measures	40
Property Related Capital Expenditure Analysis	42
Glossary of Terms	43
Company Information	45
Forthcoming Events and Shareholder Information	46

* Alternative Performance Measures. Details are provided in the Glossary of Terms on pages 43 and 44 and the EPRA Performance Measures on pages 39 to 41.

CHAIRMAN'S STATEMENT

The Chairman's Statement covers the period ended 30 June 2021.

"I am pleased to report that Regional REIT has once again demonstrated the resilience of its business model and it has performed relatively well during the first half of 2021. As the wider economy awakens from the Government imposed pandemic restrictions, our geographically diversified portfolio is well positioned to support current and future occupiers as they capture the unfolding growth opportunities."

KEVIN MCGRATH
Chairman



OVERVIEW

Despite the challenging backdrop created by the pandemic, our strategy of having a defensive portfolio composed of a large number of occupiers operating across different industries in a range of growth regions outside the M25 motorway has resulted in a relatively good performance. Our active Asset Manager, comprising of 62 professionals, continued to maintain strong working relationships with our 847 occupiers (31 December 2020: 898), which underpinned our strong rent collections and resulted in EPRA earnings of 3.0 pence per share ("pps") (six months to 30 June 2020: 2.6pps). IFRS diluted earnings per share were 4.2pps (six months to 30 June 2020: diluted loss of 6.2pps). We have declared a total dividend of 3.2pps for the period.

Our portfolio held up well given the on-going challenges posed by the pandemic and Brexit, with its overall value marginally reducing to £729.1m from £732.4m as at 31 December 2020. During the period, disposals amounted to £10.8m (net of costs). The proceeds from these disposals have since been recycled into acquiring properties to further diversify our occupier base, as well as providing good opportunities to add value through asset management initiatives. Our rolling capital expenditure programme amounted to £4.3m.

Columbus House, Coventry (Office)



Our priorities throughout the period were to maintain occupancy levels, provide safe and vibrant spaces in which our occupiers could thrive and, increase our overall occupier and geographic diversification, whilst continuing to source revenue enhancing opportunities in the challenging commercial property market.

FINANCIAL RESOURCES

The Group continues to be in a financially strong position with an EPRA NTA* of £427.7m (31 December 2020: £425.6m) and a cash balance of £75.3m as at 30 June 2021 (31 December 2020: £67.4m), of which £61.3m is unrestricted (31 December 2020: £55.0m).

Our disciplined approach to debt management continues to focus upon ensuring the debt profile remains flexible as the signs of the economic recovery are evidenced. There is no requirement to refinance until 2024.

Furthermore, net borrowings stand at 39.8% (31 December 2020: 40.8%), which is in line with our long-term target of c.40%. Our debt facilities maintain ample headroom against their respective covenants.

MARKET ENVIRONMENT

Lambert Smith Hampton (LSH)¹ research shows that investment volumes reached £13.9 billion in the second quarter of 2021, 23.8% higher than Q1 2021 and 6.9% above the five-year quarterly average. Consequently, this resulted in strong overall investment in H1 2021 relative to trend. At £25.1 billion, volumes in the first half of 2021 were 37.4% above the same period in 2020, up 25.1% when compared to the pre-pandemic levels recorded in the first half of 2019, and 5.2% higher than the five-year average.

The UK regions outside of London attracted £5.6 billion in Q2 2021, the highest figure recorded since Q1 2018, 21.0% above the five-year quarterly average, and a 34.0% increase from the previous quarter. Investment in the second quarter brought the H1 2021 total to £9.7 billion, the highest figure recorded since H1 2018 and double the level recorded in the same period in 2020. Research by LSH highlights the importance of the regional markets in driving Q2's recovery, with the regions outperforming when compared to London. At £4.8 billion, investment in Greater London was 9.1% below the five-year quarterly average.

More details can be found in the Asset and Investment Managers' Report on pages 6 and 7.

STRATEGY UPDATE – POSITIONED FOR GROWTH

Following our announcement on 12 November 2020 that the Company would focus its investments solely on properties in the office sector in the main regional centres of the UK outside of the M25 motorway and exit all other commercial property sector investments, a number of significant non core disposals have been completed. (See Note 22, Subsequent Events). The Board remains convinced that the supply and demand imbalance of the regional office sector coupled with the Asset Manager's specialist operating platform and experience will produce attractive Shareholder returns over the long-term.

DIVIDENDS

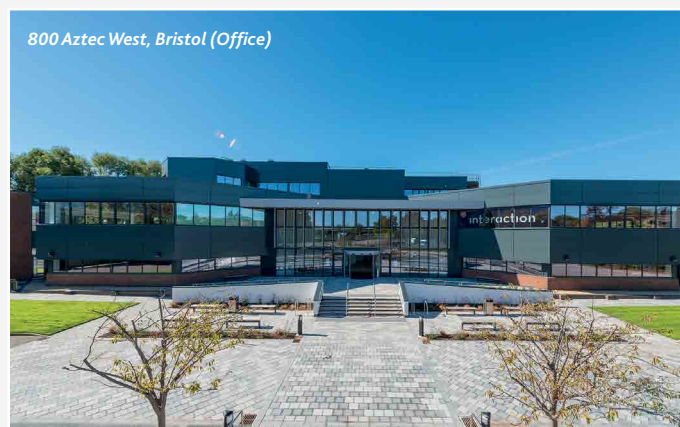
The dividend is the major component of total shareholder returns. The Company declared a total dividend of 3.2pps for the period ended 30 June 2021, comprising of two quarterly dividends of 1.6pps each.

It remains the Board's intention to maintain its uninterrupted record of quarterly dividend payments, especially through this period of continuing uncertainty. This is predicated on the strength of the Company's balance sheet and the strong rent collections received to date.

PERFORMANCE

Since listing on 6 November 2015, the Company's EPRA Total Return was 39.9% with an annualised EPRA Total Return of 6.1%.

The total shareholder return since listing was 30.1%, compared to the FTSE EPRA NAREIT UK Total Return Index, which has generated a return of 4.7% over the same period. Over the reporting period, the Company's total shareholder return was 7.9%, versus the return of 10.7% for the FTSE EPRA NAREIT UK Total Return Index.



* Alternative Performance Measures. Details are provided in the Glossary of Terms on pages 43 and 44 and the EPRA Performance Measures on pages 39 to 41.

¹ LSH, UKIT Q2 2021, August 2021

CHAIRMAN'S STATEMENT continued

INTEGRATING A MORE SUSTAINABLE APPROACH

As previously announced, and in accordance with the Group's commitment to a sustainability strategy, the inaugural submission to the Global Real Estate Sustainability Benchmark ("GRESB") has been completed. This will be used as a platform from which sustainability policies and actions will be built upon over the coming years.

SUBSEQUENT EVENTS

On 2 July 2021, the Company announced the sale of an industrial site for £8.6m, with a net initial yield of 7.2% and a 4.9% premium to the 31 December 2020 valuation.

On 12 July 2021, the Company announced the disposal of an office for £10.65m, representing a 15.8% uplift to the 31 December 2020 valuation.

On 21 July 2021, the Company announced the exchange for the sale of a portfolio of seven industrial properties for £45m, with a net initial yield of 6.75% and a 7.5% premium to the 31 December 2020 valuation.

On 31 August 2021, the Company announced the acquisition of 31 high quality, predominately multi-let office assets for a consideration price of £236.0m, reflecting a net initial yield of 7.8%. The consideration was satisfied by three components: the issuance of 84,230,000 new ordinary shares in the Company at 98.6 pence per share (being the EPRA Net Tangible Asset Value per share as at 31 December 2020) equivalent to £83.1m, £76.7m of existing cash resources and additional borrowings of £76.2m. Following the acquisition, the Company estimates (based on its own Consolidated Balance Sheet as at 31 December 2020) that it has a net LTV-ratio of c. 43.8% (31 December 2020: 40.8%); and weighted average cost of debt of 3.3% (31 December 2020: 3.3%).

OUTLOOK

The successful national vaccine programme has resulted in the Government rescinding the imposed pandemic restrictions. This has been accompanied by a strong rebound in most sectors of the UK economy. The economic activity augurs well for the remainder of 2021.

Though we remain mindful of the challenges to be faced in a structurally evolving property market, which will inevitably continue to be impacted by the pandemic and the aftermath of Brexit, our confidence for the long-term remains. It is underpinned by our deliberately geographically diversified portfolio, coupled with robust levels of rent collections, which have continued to maintain quarterly dividends to our Shareholders.

The Group continues to focus on asset management initiatives to promptly recycle capital into office opportunities that de-risk the portfolio, whilst increasing the number, quality and quantum of income streams.

KEVIN MCGRATH

Chairman

15 September 2021



Templeton on the Green, Glasgow (Office)

www.regionalreit.com

ASSET AND INVESTMENT MANAGERS' REPORT

"It brings me great pleasure to report that the Company performed relatively well during the six months ended June 2021. The performance can in part be attributable to my tenacious team for their ongoing commitment in assisting occupiers through this challenging period and continuing to implement the identified programme of asset management initiatives across the portfolio."

The Company is in a strong financial position. It has produced a total shareholder return of 7.9% for the period, while maintaining its record of quarterly dividends. Furthermore, the strong rent collections have resulted in EPRA earnings of 3.0 pence per share, a 15% increase over the six months to 30 June 2020.

During the period, the Company has continued to execute its strategic objective of focusing on regional office assets with a number of significant non-core disposals providing considerable uplifts from valuation. Capital was swiftly redeployed into value accretive acquisition opportunities in line with the renewed objectives. This has culminated, post period end, in the purchase of a portfolio of 31 high quality, predominately multi-let office assets from Squarestone Growth LLP.

We would like to thank our shareholders for their continued support as we look forwards with renewed optimism as the full return to the office becomes ever more evident. The portfolio is in an exceptional position to capitalise on the economic recovery, with significant upside potential in both rental growth and portfolio valuation.

During the first half of 2021, the Company completed 25 new lettings, totalling 116,815 sq. ft.. When fully occupied, these will provide an additional gross rental income of c. £1.3m. Given the end of many pandemic restrictions and the successful vaccine programme, we anticipate a pick-up in activity over the coming months as more and more companies return to the office."



Norfolk House, Birmingham (Office)



STEPHEN INGLIS

CEO and Founder of London & Scottish Property Investment Management
Asset Manager of Regional REIT

ASSET AND INVESTMENT MANAGERS' REPORT continued

INVESTMENT ACTIVITY IN THE UK COMMERCIAL PROPERTY MARKET

The COVID-19 pandemic had a considerable impact on investment in the UK commercial property market throughout 2020 with investment levels falling by 17.6% from 2019 levels and total investment in 2020 dropping to £40.7 billion, according to research from Lambert Smith Hampton ("LSH")¹. Although the pandemic continues to impact the UK commercial property market, the end of many legal restrictions throughout the UK has resulted in a clear rise in investment volumes reflecting improved business confidence. The most recent data from LSH shows that investment volumes reached £13.9 billion in the second quarter of 2021, 23.8% higher than Q1 2021 and 6.9% above the five-year quarterly average. Consequently, this resulted in strong overall investment in the first half of 2021 relative to trend. At £25.1 billion, volumes in the first half of 2021 were 37.4% above the same period in 2020, up 25.1% when compared to the pre-pandemic levels recorded in the first half of 2019, and 5.2% higher than the five-year average.

The UK regions outside of London attracted £5.6 billion in Q2 2021, the highest figure recorded since Q1 2018, 21.0% above the five-year quarterly average, and a 34.0% increase from the previous quarter. Investment in the second quarter brought the H1 2021 total to £9.7 billion, the highest figure recorded since H1 2018 and double the level recorded in the same period in 2020. Research by LSH highlights the importance of the regional markets in driving Q2's recovery, with the regions outperforming when compared to London. At £4.8 billion, investment in Greater London was 9.1% below the five-year quarterly average. Both East Midlands and West Midlands performed strongly

in Q2. Total investment in East Midlands reached £868 million, 129.6% above the five-year quarterly average – the strongest regional performance relative to trend. Data from LSH shows that the West Midlands accounted for the highest proportion of regional investment (19.4%) with £1.1 billion invested, 94.4% above the five-year quarterly average. Other regional markets that performed well relative to trend include: North West, South West, East, and Yorkshire & the Humber.

Overseas investment in the UK commercial property market accounted for 55.6% of total investment in Q2 2021. Figures indicate that overseas investment reached £7.7 billion in Q2 2021, 20.0% above the five-year quarterly average. Strong international investment in the second quarter of the year brought the H1 2021 total to £13.8 billion – 40.2% higher than the pre-pandemic level recorded in H1 2019. Higher levels of capital inflows from international investors highlights the resilience of UK commercial property and suggests that global investors continue to view the UK as a safe haven for capital. LSH research suggests that North American investors were the most acquisitive net buyers at £2.8 billion. Figures indicate that Europe, Far East, and Middle East were all net investors in the second quarter of 2021.

Research from CBRE² indicates that regional offices have outperformed in comparison to central London offices, delivering marginally greater returns of 3.3% in the 12 months ending June 2021 in comparison to central London office returns of 3.2% – a trend that has been witnessed over the last five years.

OCCUPATIONAL DEMAND IN THE UK REGIONAL OFFICE MARKET

Avison Young estimate that take-up of office space across the Big Nine regional markets³ in Q2 2021 reached 1.5 million sq. ft., bringing the half year total to 3.0 million sq. ft. Although take-up in the first half of 2021 is 10.6% higher than the same period in 2020, it is 31.4% below the pre-pandemic levels recorded in the first half of 2019⁴. City Centre activity accounted for the highest proportion of take-up (65.2%) in Q2 2021 at 1.0 million sq. ft., with 0.5 million sq. ft. transacted in the out of town market. Avison Young expect demand throughout Q3 2021 to remain broadly in-line with current levels.

According to Savills, strong occupational demand came from public services, with education and health accounting for the highest proportion of take-up of all regional offices at 16% in the first half of 2021. Moreover, the technology, media & telecoms sector, and serviced offices accounted for the second and third largest proportion of take-up in the regional cities, accounting for 13% and 10% respectively.

In terms of speculative development, it is estimated that approximately 5.3 million sq. ft. of office space is currently under construction in the Big Nine regional markets, with Manchester, Glasgow and Birmingham accounting for 24.3%, 22.2% and 11.1%, respectively. Approximately 44.7% of office buildings currently under construction are already pre-let.

The COVID-19 pandemic accelerated the adoption of alternative ways of working, in doing so the pandemic also highlighted the limitations of remote working in terms of collaboration, training and productivity, to name a few. Research by CBRE found that only 1% of occupiers expect fully remote working going forward and only an additional 15% anticipate a mostly remote solution⁵. One trend that the Asset Manager believes will continue is improvements to the office environment as greater importance is placed on health and wellbeing. The office has long provided a place for concentrated work and increasingly a place for collaboration, connection, innovation and social interaction, and the desire for these characteristics has not diminished. However, transformations to offices will be required not only to encourage existing staff to return to the office but also to attract and retain new talent. Research shows that the average office space per employee has reduced drastically since the 1990s, with typical densities of just c.85 sq. ft. per employee⁶. Therefore, de-densification of floorplates will likely take place as offices are transformed to include versatile breakout areas and quiet work areas. Additionally, preferences for increased distance between workstations, more private offices, and a reduction in hot desking may result in increased demand for space.

¹ LSH, UKIT Q2 2021, August 2021

² CBRE Monthly Index, Q2 2021

³ Nine regional office markets mentioned by Avison Young include: Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester, Newcastle

⁴ Avison Young, Big Nine, Q2 2021

⁵ CBRE, EMEA Occupier Survey, June 2021

⁶ WSP, Demand for Office Space

RENTAL GROWTH IN THE UK REGIONAL OFFICE MARKET

A lack of availability in the Big Nine regional markets has supported headline rents in the first half of 2021. Average regional rents have been resilient throughout 2021 with data from the MSCI monthly index highlighting rental growth of 0.2% in the first six months of the year.

The CBRE Monthly Index shows that rental value growth held up better for the rest of UK office markets in the 12 months ended July 2021 with modest growth of 0.2%. Conversely, central London offices and all UK property rents have declined by -1.0% and -0.5% respectively. Colliers International expects rental growth to continue as encouraging demand levels continue in the second half of 2021.

REGIONAL REIT'S OFFICE ASSETS

EPRA occupancy of the Group's regional offices decreased to 84.3% (30 June 2020: 88.4%). A like-for-like comparison of the Group's regional offices EPRA occupancy, 30 June 2021 versus 30 June 2020, shows that occupancy decreased to 83.5% (30 June 2020: 88.5%). WAULT to first break was 2.6 years (30 June 2020: 2.8 years); like-for-like WAULT to first break was 2.5 years (30 June 2020: 2.8 years).

OCCUPATIONAL DEMAND IN THE UK INDUSTRIAL OFFICE MARKET

Cushman & Wakefield estimate that take-up in the first half of 2021 totalled 32.3 million sq. ft., 67.1% higher than the same period in 2020 and 86.8% above 2019 levels⁷. Take-up in Q1 2021 was 123.6% higher than the same quarter in 2020 at 13.0 million sq. ft. Demand increased in Q2 2021 reaching 19.2 million sq. ft., 47.8% above the level of take-up in Q1 2021 and 42.7% higher than the same period in 2020. In addition, research by Colliers International suggests that availability fell by c. 26% year-on-year resulting in a vacancy rate of just 4.3% in Q2 2021. In response to low levels of supply developers have announced a range of speculative development. Approximately 16.8 million sq. ft. of speculative development space is currently under construction, according to Savills – the highest level since before the global financial crisis. However, it is worth noting that build costs are expected to increase in the short-term due to low levels of supply of materials such as cladding, steel and concrete⁸.

Occupier demand within the industrial market continues to be highly driven by e-commerce. Online sales increased to 27.9% of total retail sales in July 2021, up from 27.1% in June 2021 and a substantial increase from 19.8% in February 2020 (pre-coronavirus pandemic)⁹. However, data from the ONS indicates that the percentage of retail spend online is beginning to decrease from highs of just over 30% at the beginning of 2021 in line with the easing of national COVID-19 lockdown restrictions.

RENTAL GROWTH IN THE UK INDUSTRIAL MARKET

Data from MSCI index shows that rental growth in Q2 2021 increased by 1.7% – the highest quarterly rental growth over the last 20 years¹⁰. Rental growth in Q2 2021 brings the 12-month average rental growth (in the 12 months to June 2021) to 2.9%, according to data from MSCI¹¹.

Rental growth in the UK industrial market looks set to continue as accelerated demand outstrips new supply. According to research from Savills, the most recent rental growth forecasts from RealFor suggests that the industrial and logistics market should expect rental growth of 2.7% per annum until 2025.

REGIONAL REIT'S INDUSTRIAL ASSETS

EPRA occupancy of the Group's industrial sites increased to 94.3% (30 June 2020: 91.5%). A like-for-like comparison of the Group's industrial EPRA occupancy, 30 June 2021 versus 30 June 2020, shows that occupancy increased to 92.8% (30 June 2020: 92.7%). WAULT to first break was 6.7 years (30 June 2020: 5.7 years); like-for-like WAULT to first break was 6.4 years (30 June 2020: 7.2 years).

⁷ Cushman & Wakefield, *Industrial Marketbeat*, August 2021

⁸ Savills, *Market in Minutes*, July 2021

⁹ Office for National Statistics, *Retail Sales, Great Britain*, July 2021

¹⁰ Colliers International, *Property Snapshot*, August 2021

¹¹ BNP Paribas Real Estate, *Industrial Logistics Insider*, Q2 2021

ASSET AND INVESTMENT MANAGERS' REPORT continued

PROPERTY PORTFOLIO

As at 30 June 2021, the Group's property portfolio was valued at £729.1m (30 June 2020: £742.3m; 31 December 2020: £732.4m), with rent roll of £61.1m (30 June 2020: £62.9m; 31 December 2020: £64.2m), and an EPRA occupancy rate of 85.7% (30 June 2020: 89.0%; 31 December 2020: 89.4%). On a like-for-like basis, 30 June 2021 versus 30 June 2020 EPRA occupancy was 84.8% (30 June 2020: 89.1%).

As at 30 June 2021, there were 151 properties (30 June 2020: 151; 31 December 2020: 153) in the portfolio, with 1,214 units (30 June 2020: 1,249; 31 December 2020: 1,245) and 847 tenants (30 June 2020: 876; 31 December 2020: 898). If the portfolio was fully occupied at Cushman & Wakefield's view of market rents, rental income would be £75.1m per annum (30 June 2020: £75.2m; 31 December 2020: £76.6m).

As at 30 June 2021, the net initial yield on the portfolio was 6.7% (30 June 2020: 6.4%; 31 December 2020: 6.9%), the equivalent yield was 8.8% (30 June 2020: 8.7%; 31 December 2020: 8.8%) and the reversionary yield was 9.3% (30 June 2020: 9.2%; 31 December 2020: 9.4%).



£729.1m
Value of the Investment
Property Portfolio



£61.1m
Rent roll



847
Tenants

PROPERTY PORTFOLIO BY SECTOR AS AT 30 JUNE 2021

Sector	Properties	Valuation (£m)	% by valuation	Sq. ft. (mil)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capital rate (£psf)	Net initial yield (%)	Equivalent yield (%)	Reversionary yield (%)
Office	114	607.0	83.2	4.6	84.3	2.6	50.4	13.78	63.9	132.23	6.5	8.8	9.5
Industrial	15	82.6	11.3	1.7	94.3	6.7	6.0	4.06	6.7	49.57	6.8	7.6	6.8
Retail	20	29.7	4.1	0.4	93.5	3.4	3.8	9.47	3.8	66.77	10.8	10.7	11.0
Other	2	9.9	1.4	0.1	89.0	14.3	0.9	12.82	0.8	115.03	7.1	8.3	7.8
Total	151	729.1	100.0	6.8	85.7	3.2	61.1	10.91	75.1	107.43	6.7	8.8	9.3

PROPERTY PORTFOLIO BY REGION AS AT 30 JUNE 2021

Region	Properties	Valuation (£m)	% by valuation	Sq. ft. (mil)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capital rate (£psf)	Net initial yield (%)	Equivalent yield (%)	Reversionary yield (%)
Scotland	39	130.2	17.9	1.5	84.5	3.8	12.5	10.29	15.0	87.34	7.8	9.9	10.3
South East	31	183.8	25.2	1.3	86.8	2.2	14.3	13.31	18.4	139.28	5.9	8.1	8.9
North East	19	73.1	10.0	0.6	73.5	3.0	5.8	11.92	7.6	113.96	5.7	9.3	9.8
Midlands	27	138.7	19.0	1.5	86.2	3.5	11.8	9.14	13.5	94.82	6.7	8.3	8.8
North West	16	90.9	12.5	1.0	85.4	4.4	6.6	8.67	9.2	92.75	6.1	9.0	9.3
South West	14	80.3	11.0	0.5	94.2	2.2	6.9	16.02	8.1	161.42	7.1	8.3	9.1
Wales	5	32.1	4.4	0.4	93.0	4.1	3.2	9.29	3.3	81.30	9.3	8.8	9.3
Total	151	729.1	100.0	6.8	85.7	3.2	61.1	10.91	75.1	107.43	6.7	8.8	9.3

* Tables may not sum due to rounding

TOP 15 INVESTMENTS (MARKET VALUE) AS AT 30 JUNE 2021

Property	Sector	Anchor tenants	Market value (£m)	% of portfolio	Lettable area (Sq. Ft.)	EPRA Occupancy (%)	Annualised gross rent (£m)	% of gross rental income	WAULT to first break (years)
Tay House, Glasgow	Office	Barclays Execution Services Ltd, University of Glasgow	27.0	3.7	156,853	94.3	2.7	4.4	1.5
Genesis Business Park, Woking	Office	Nuvias (UK & Ireland) Ltd, Fernox Ltd, McCarthy & Stone Retirement Lifestyles Ltd, Walk The Walk Worldwide	23.8	3.3	98,359	80.7	1.3	2.2	2.7
Buildings 2 & 3, Bear Brook Office Park, Aylesbury	Office	Bank Of Scotland Plc, Utmost Life and Pensions Ltd, Agria Pet Insurance Ltd	23.3	3.2	140,791	95.7	2.3	3.7	1.9
Hampshire Corporate Park, Eastleigh	Office	Aviva Central Services UK Ltd, National Westminster Bank Plc, Utilita Energy Ltd, Digital Wholesale Solutions Ltd	19.2	2.6	85,422	99.8	1.5	2.5	2.1
Beeston Business Park, Nottingham	Office/ Industrial	Metropolitan Housing Trust Ltd, SMS Electronics Ltd, Worldwide Clinical Trials Ltd, Heart Internet Ltd	18.4	2.5	215,330	100.0	1.8	2.9	5.8
800 Aztec West, Bristol	Office	Edvance SAS, NNB Generation Company (HPC) Ltd	18.3	2.5	73,292	100.0	1.5	2.5	2.1
Norfolk House, Smallbrook Queensway, Birmingham	Office	Secretary of State for Communities & Local Government, Spark44 Ltd	18.0	2.5	114,982	85.8	1.4	2.3	1.6
Road 4 Winsford Industrial Estate, Winsford	Industrial	Jiffy Packaging Ltd	15.8	2.2	246,209	100.0	1.0	1.7	13.2
One & Two Newstead Court, Nottingham	Office	E.ON UK Plc	15.2	2.1	146,262	68.1	0.9	1.5	3.8
Portland Street, Manchester	Office	Darwin Loan Solutions Ltd, New College Manchester Ltd, Mott MacDonald Ltd, Simard Ltd	15.2	2.1	55,787	98.7	0.9	1.5	2.8
Ashby Park, Ashby De La Zouch	Office	Ceva Logistics Ltd, Brush Electrical Machines Ltd, Hill Rom UK Ltd	13.4	1.8	91,034	89.4	1.0	1.6	4.5
Templeton On The Green, Glasgow	Office	The Scottish Ministers, The Scottish Sports Council, Noah Beers Ltd, Cornerstone Community Care	12.7	1.7	142,512	87.2	1.2	1.9	4.2
The Coach Works, Leeds	Office	St James's Place Wealth Management Group Plc	11.9	1.6	41,666	41.7	0.5	0.7	3.2
Columbus House, Coventry	Office	TUI Northern Europe Ltd (Shell Energy)	11.4	1.6	53,253	100.0	1.4	2.3	2.5
Oakland House, Manchester	Office	Please Hold (UK) Ltd, A.M. London Fashion Ltd, HSS Hire Service Finance Ltd, CVS (Commercial Valuers & Surveyors) Ltd	10.8	1.5	161,057	93.6	1.3	2.1	2.2
Total			254.2	34.9	1,822,809	89.7	20.7	33.9	3.3

* Table may not sum due to rounding

ASSET AND INVESTMENT MANAGERS' REPORT continued

TOP 15 TENANTS (SHARE OF RENTAL INCOME) AS AT 30 JUNE 2021

Tenant	Property	Sector	WAULT to first break (years)	Lettable area (Sq. Ft.)	Annualised gross rent (£m)	% of Gross rental income
Barclays Execution Services Ltd	Tay House, Glasgow Waterfront Business Park, Fleet	Administrative and support service activities	0.4	108,386	2.2	3.7
Secretary of State for Communities & Local Government	1 Burgage Square, Wakefield Albert Edward House, Preston Bennett House, Stoke-On-Trent Norfolk House, Birmingham Oakland House, Manchester Waterside Business Park, Swansea	Public sector	2.1	164,819	2.0	3.2
Bank Of Scotland Plc	Buildings 3, Bear Brook Office Park, Aylesbury, High Street/Bank Street, Dumfries	Banking	1.0	92,978	1.5	2.4
TUI Northern Europe Ltd (Shell Energy)	Columbus House, Coventry	Professional, scientific and technical activities	2.5	53,253	1.4	2.3
The Scottish Ministers	Calton House, Edinburgh, Edinburgh Quadrant House, Dundee Templeton on the Green, Glasgow	Public sector	2.2	106,511	1.3	2.1
Jiffy Packaging Ltd	Road 4 Winsford Industrial Estate, Winsford	Manufacturing	13.2	246,209	1.0	1.7
E.ON UK Plc	Two Newstead Court, Nottingham	Electricity, gas, steam and air conditioning supply	3.8	99,142	0.9	1.5
Edvance SAS	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	1.9	41,285	0.9	1.5
John Menzies Plc	2 Lochside Avenue, Edinburgh	Professional, scientific and technical activities	2.1	43,780	0.9	1.4
The Royal Bank Of Scotland Plc	Cyan Building, Rotherham	Banking	0.0	67,458	0.9	1.4
SPD Development Co Ltd	Clearblue Innovation Centre, Bedford	Professional, scientific and technical activities	4.3	58,167	0.8	1.4
Aviva Central Services UK Ltd	Hampshire Corporate Park, Chilworth House, Eastleigh	Other service activities	3.4	42,612	0.8	1.3
James Howden & Company Ltd	Howden Site, Renfrew	Manufacturing	10.4	204,414	0.8	1.2
Odeon Cinemas Ltd	Kingscourt Leisure Complex, Dundee	Information and communication	14.3	41,542	0.7	1.2
NNB Generation Company (HPC) Ltd	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	2.5	32,007	0.6	1.0
Total			3.6	1,402,563	16.7	27.3

* Table may not sum due to rounding

PROPERTY PORTFOLIO SECTOR AND REGION SPLITS BY VALUATION AND INCOME

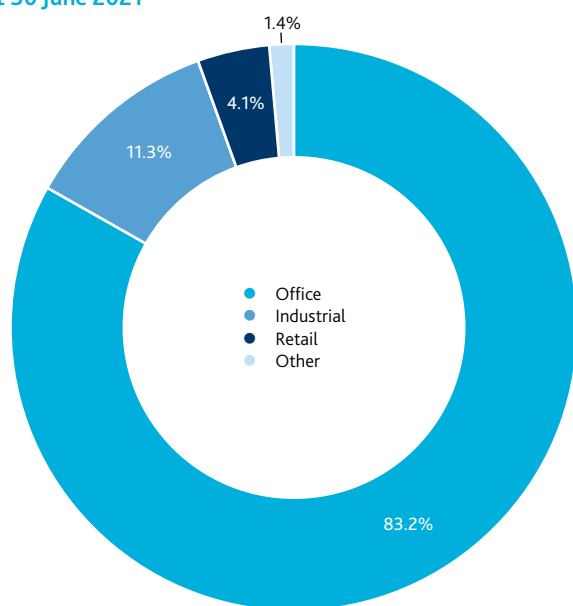
By Valuation

As at 30 June 2021, 83.2% (30 June 2020: 79.9%, 31 December 2020: 83.5%) of the portfolio by market value was offices and 11.3% (30 June 2020: 14.3%, 31 December 2020: 11.1%) was industrial. The balance was made up of retail, 4.1% (30 June 2020: 4.3%, 31 December 2020: 4.1%) and other, 1.4% (30 June 2020: 1.5%, 31 December 2020: 1.3%). By UK region, as at 30 June 2021, Scotland represented 17.9% (30 June 2020: 17.7%, 31 December 2020: 17.3%) of the portfolio and England 77.7% (30 June 2020: 79.8%, 31 December 2020: 78.3%) the balance of 4.4% (30 June 2020: 2.5%, 31 December 2020: 4.4%) was in Wales. In England, the largest regions were the South East, the Midlands and the North West.

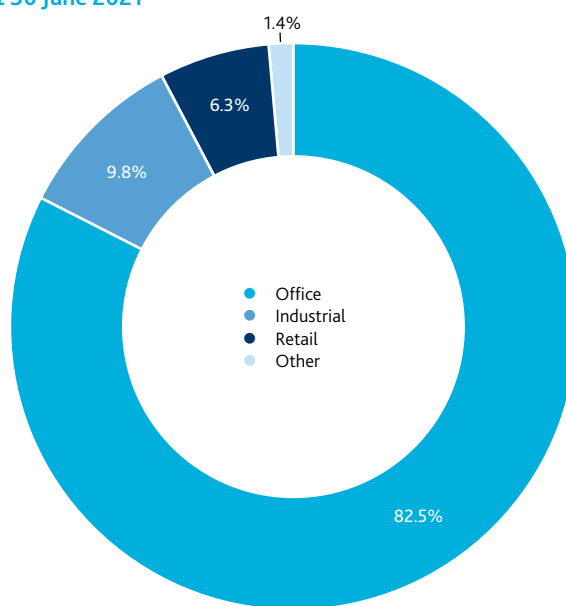
By Income

As at 30 June 2021, 82.5% (30 June 2020: 79.8%, 31 December 2020: 82.3%) of the portfolio by income was offices and 9.8% (30 June 2020: 12.3%, 31 December 2020: 10.3%) was industrial. The balance was made up of retail, 6.3% (30 June 2020: 6.6%, 31 December 2020: 6.0%), and other, 1.4% (30 June 2020: 1.4%, 31 December 2020: 1.3%). By UK region, as at 30 June 2021, Scotland represented 20.5% (30 June 2020: 20.6%, 31 December 2020: 20.4%) of the portfolio and England 74.3% (30 June 2020: 76.4%, 31 December 2020: 74.6%); the balance of 5.2% was in Wales (30 June 2020: 3.0%, 31 December 2020: 5.0%). In England, the largest regions were the South East, the Midlands and the South West.

As at 30 June 2021

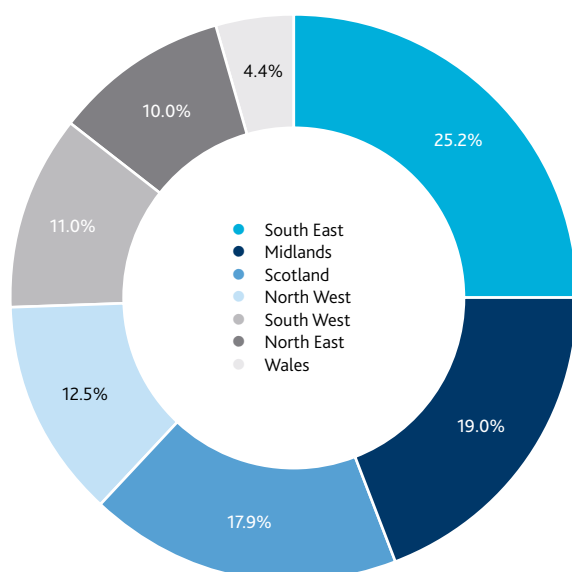


As at 30 June 2021



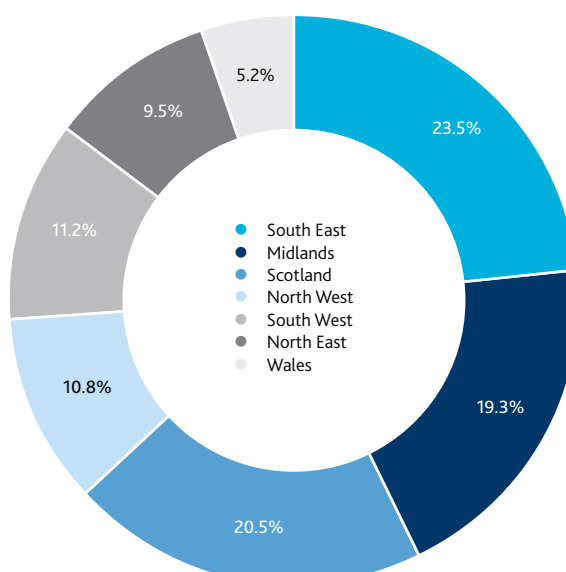
Sector Split by Valuation

As at 30 June 2021



Sector Split by Income

As at 30 June 2021



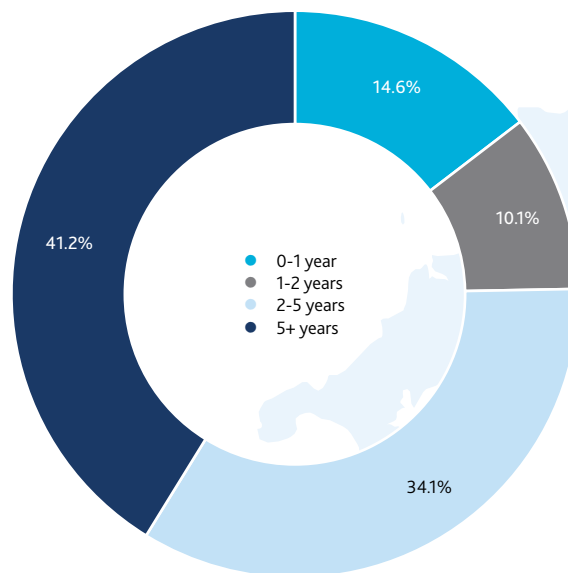
Regional Split by Valuation

Regional Split by Income

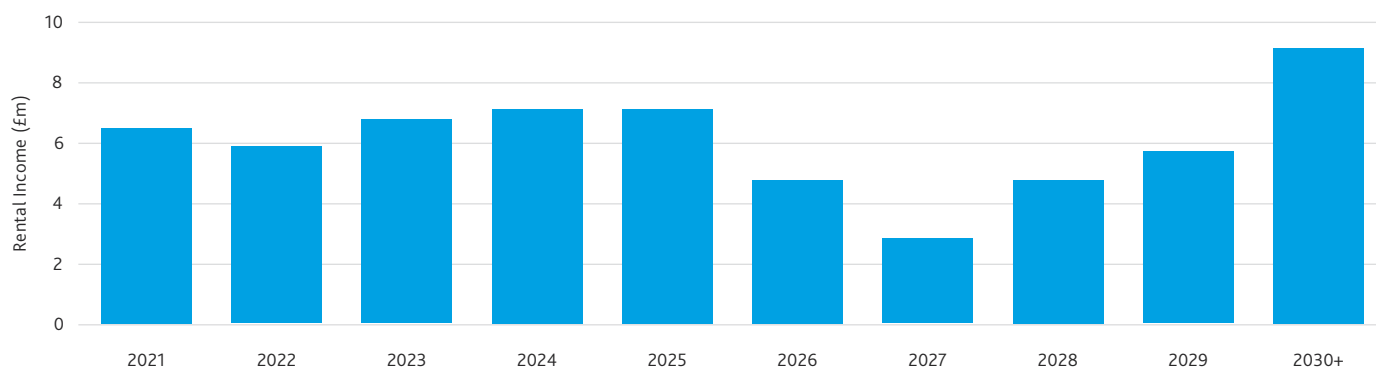
ASSET AND INVESTMENT MANAGERS' REPORT continued

LEASE EXPIRY PROFILE

The WAULT on the portfolio is 5.0 years (30 June 2020: 5.3 years; 31 December 2020: 5.1 years); WAULT to first break is 3.2 years (30 June 2020: 3.4 years; 31 December 2020: 3.2 years). As at 30 June 2021, 14.6% (30 June 2020: 6.3%; 31 December 2020: 14.2%) of income was from leases, which will expire within one year, 10.1% (30 June 2020: 14.9%; 31 December 2020: 9.1%) between one and two years, 34.1% (30 June 2020: 34.5%; 31 December 2020: 35.8%) between two and five years and 41.2% (30 June 2020: 44.3%; 31 December 2020: 40.9%) after five years.

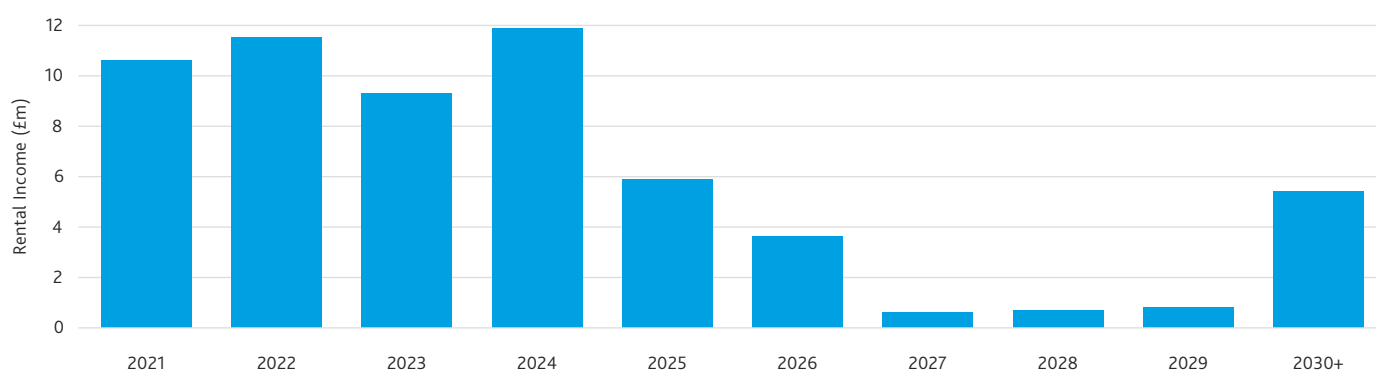


Source: LSPIM. Charts may not sum due to rounding.



Lease Expiry Income Profile by year

Source: LSPIM



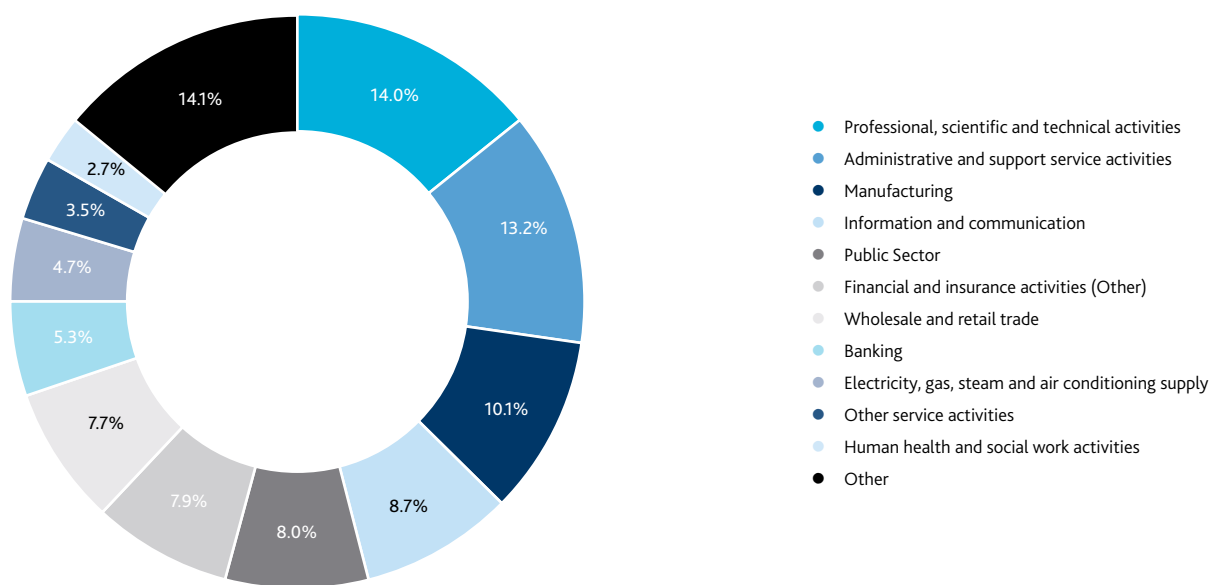
Lease Expiry to First Break Income Profile by Year

Source: LSPIM

TENANTS BY STANDARD INDUSTRIAL CLASSIFICATION AS AT 30 JUNE 2021

As at 30 June 2021, 14.0% of income was from tenants in the professional, scientific and technical activities sector (30 June 2020: 13.0%; 31 December 2020: 13.5%), 13.2% from the administrative and support service activities sector (30 June 2020: 12.8%; 31 December 2020: 12.9%), 10.1% from the manufacturing sector (30 June 2020: 8.9%; 31 December 2020: 10.3%), 8.7% from the information and communication sector (30 June 2020: 8.3%; 31 December 2020: 8.3%), and 8.0% from the public sector (30 June 2020: 8.1%; 31 December 2020: 8.8%). The remaining exposure is broadly spread.

No tenant represents more than 4% of the Group's rent roll as at 30 June 2021, the largest being 3.7% (30 June 2020: 3.6%; 31 December 2020: 3.5%).



Tenants by SIC Codes (% of gross rent)

Chart may not sum due to rounding.

* Other – Accommodation and food service activities, activities of extraterritorial organisations and bodies, arts, entertainment and recreation, charity, construction, education, mining and quarrying, not specified, public administration and defence; compulsory social security, real estate activities, registered society, residential, transportation and storage, water supply, sewerage, waste management and remediation activities.



Tay House, Glasgow (Office)



ASSET AND INVESTMENT MANAGERS' REPORT continued

FINANCIAL REVIEW

Net Asset Value

Between 1 January 2021 and 30 June 2021, the EPRA NTA* of the Group increased to £427.7m (IFRS: £425.2m) from £425.6m (IFRS: £420.6m) as at 31 December 2020, resulting in an increase of the EPRA NTA to 99.1pps (30 June 2020: 102.5pps; 31 December 2020: 98.6pps). This is after the declaration of dividends in the period amounting to 3.10pps.

In the six months to 30 June 2021, the investment property revaluation amounted to £2.0m for the properties held as at 30 June 2021. Net capital expenditure amounted to £4.3m, which is yet to be fully reflected in the valuation and the realised gain of £0.6m on the disposal of investment properties.

The investment property portfolio was valued at a total of £729.1m as at 30 June 2021 (30 June 2020: £742.3m; 31 December 2020: £732.4m). The marginal decrease since the 2020 year-end is primarily attributable to property disposals of £10.2m, which are offset by an unrecognised investment property portfolio revaluation of £2.0m and net capital expenditure of £4.3m. Overall, on a like-for-like basis, the portfolio increased by 0.4%.

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

	Six months to 30 June 2021 (£million)	Six months to 30 June 2020 (£million)	Year ended 31 December 2020 (£million)
Acquisitions			
Net (after costs)	0.6	0.1	45.0
Gross (before costs)	–	–	42.4
Disposals			
Net (after costs)	10.8	15.1	53.4
Gross (before costs)	11.2	15.5	56.4
Capital Expenditure			
Net (after dilapidations)	4.3	4.5	8.8
Gross (before dilapidations)	4.9	5.5	13.1

* Alternative performance measures, Details are provided in the Glossary of Terms on pages 43 and 44 and the EPRA performance measures on pages 39 to 41.

Table may not sum due to rounding.

The diluted EPRA NTA per share increased to 99.1pps (31 December 2020: 98.6pps). The EPRA NTA is reconciled in the table below:

	Six months to 30 June 2021	
	£million	Pence per share
Opening EPRA NTA (31 December 2020)	425.6	98.6
Net rental and property income	25.4	5.9
Administration and other expenses	(5.5)	(1.3)
Gain on the disposal of investment properties	0.6	0.1
Change in the fair value of investment properties	2.0	0.5
Change in value of right of use	(0.1)	–
EPRA NTA after operating profit	448.0	103.8
Net finance expense	(6.9)	(1.6)
Taxation	–	–
EPRA NTA before dividends paid	441.1	102.2
Dividends paid	(13.4)	(3.1)
Closing EPRA NTA (30 June 2021)	427.7	99.1

Table may not sum due to rounding

Income Statement

Operating profit before gains and losses on property assets and other investments for the six months ended 30 June 2021 amounted to £19.9m (six months to 30 June 2020: £18.1m). Profit after finance items and before taxation was £18.0m (six months to 30 June 2020: loss £27.0m). This increase is predominately the result of two factors: firstly, a gain in the fair value of investment properties in the six months to June 2021; and secondly, a gain on the disposal of investment properties. The six months to 30 June 2021 included a full rent roll for properties held as at 31 December 2020, plus the partial rent roll for properties disposed of during the period.

Rental and property income amounted to £29.5m, excluding recoverable service charge income and other similar items (six months to 30 June 2020: £29.4m).

Currently more than 80% of rental income is collected within 30 days of the due date and bad debts in the period were £0.6m (six months to 30 June 2020: £0.6m).

Non-recoverable property costs, excluding recoverable service charge income and other similar costs, amounted to £4.2m (six months to 30 June 2020: £5.4m) and the rent roll decreased to £61.1m (six months to 30 June 2020: £62.9m).

The realised gain on the disposal of investment properties amounted to £0.6m (six months to 30 June 2020: loss £2.0m). The disposal gains were from the aggregate disposal of four properties in the period, on which individual asset management plans had been completed.

The change in the fair value of investment properties amounted to a gain of £2.0m (six months to 30 June 2020: loss of £33.2m). The change in value of right of use asset amounted to a charge of £0.1m (six months to 30 June 2020: £0.1m); with a minimal gain on the associated disposal of a right of use.

Finance expenses amounted to £6.9m (six months to 30 June 2020: £7.1m). The Group continued to hold a larger than usual cash balance during the period, ensuring ample liquidity during the current period of economic uncertainty.

The EPRA cost ratio, including direct vacancy costs, was 32.6% (six months to 30 June 2020: 38.4%). The decrease in the cost ratio is ostensibly a reflection of the decrease in non recoverable property costs. The EPRA cost ratio, excluding direct vacancy costs was 19.9% (six months to 30 June 2020: 21.4%).

The ongoing charges for the period ended 30 June 2021 were 4.6% (30 June 2020: 4.9%).

The EPRA Total Return from 6 November 2015 (date of IPO) to 30 June 2021 was 39.9% (30 June 2020: 37.3%), an annualised rate of 6.1% pa (30 June 2020: 7.0% pa).

Dividend

During the period from 1 January 2021 to 30 June 2021, the Company declared dividends totalling 3.10pps (2020: 4.45pps). Since the end of the period, the Company has declared a dividend for the second quarter of 2021 of 1.60pps. A schedule of dividends can be found on pages 28 and 29.

Debt Financing and Gearing

Borrowings comprise third-party bank debt which is secured over properties owned by the Group and repayable over the next 3 to 8 years, with a weighted average maturity of 6.0 years (six months to 30 June 2020: 6.8 years; 31 December 2020 6.4 years).

The Group's borrowing facilities are with the Royal Bank of Scotland, Scottish Widows Limited & Aviva Investors Real Estate Finance, Scottish Widows Limited and Santander UK. Total bank borrowing facilities at 30 June 2021 amounted to £315.7m (30 June 2020: £312.7m; 31 December 2020: £316.2m) (before unamortised debt issuance costs), with £6.2m available to be drawn.

During the period, the maturity date of the Company's facility with the Royal Bank of Scotland was extended from June 2024 to June 2025 by invoking a pre-agreed extension option.

In addition to bank borrowings, the Group has a £50m 4.5% retail eligible bond which is due for repayment in August 2024. In aggregate, the total debt available at 30 June 2021 amounted to £371.9m (30 June 2020: £371.9m; 31 December 2020: £371.9m).

At 30 June 2021, the Group's cash and cash equivalent balances amounted to £75.3m (30 June 2020: £67.9m; 31 December 2020: £67.4m).

The Group's net LTV ratio stands at 39.8% (30 June 2020: 39.7%; 31 December 2020: 40.8%) before unamortised costs. The Board continues to target a net LTV ratio of 40%, with a maximum limit of 50%.

Debt Profile and LTV Ratios as at 30 June 2021

Lender	Original facility £'000	Outstanding debt* £'000	Maturity date	Gross loan to value** %	Annual interest rate %
Royal Bank of Scotland	55,000	51,024	June 2025	40.3	2.15 over 3 months £ LIBOR
Scottish Widows & Aviva Investors Real Estate Finance	165,000	165,000	December 2027	46.6	3.28 Fixed
Scottish Widows	36,000	36,000	December 2028	40.9	3.37 Fixed
Santander UK	65,870	63,686	June 2029	38.1	2.20 over 3 months £ LIBOR
	321,870	315,710			
Retail eligible bond	50,000	50,000	August 2024	N/A	4.50 Fixed
	371,870	365,710			

* Before unamortised debt issue costs

** Based on Cushman and Wakefield property valuations

Table may not sum due to rounding

ASSET AND INVESTMENT MANAGERS' REPORT continued

The Managers continue to monitor the borrowing requirements of the Group. As at 30 June 2021, the Group had substantial headroom against its applicable borrowing covenants.

The net gearing ratio (net debt to Ordinary Shareholders' equity (diluted)) of the Group was 68.3% as at 30 June 2021 (30 June 2020: 67.4%; 31 December 2020: 71.0%).

Interest cover, excluding amortised costs and finance lease interest, stands at 3.3 times (30 June 2020: 2.9 times; 31 December 2020: 3.4 times) and including amortised and finance lease interest costs stands at 2.9 times (30 June 2020: 2.5 times; 31 December 2020: 3.0 times).

Hedging

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

	Six months ended 30 June 2021 %	Six months ended 30 June 2020 %	Year ended 31 December 2020 %
Borrowings interest rate hedged	101.7	102.5	101.6
Thereof:			
Fixed	68.6	69.2	68.6
Swap	16.5	16.7	16.5
Cap	16.5	16.7	16.5
WACD ¹	3.3	3.4	3.3

Table may not sum due to rounding

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

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

Tax

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

At 30 June 2021, the Group recognised a nil tax balance.

DIRECTORS' STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

For Regional REIT, effective risk management is a cornerstone of delivering our strategy and integral to the achievement of our objective of delivering long term value through active asset management across the portfolio. The principal risks and uncertainties the Group faces are summarised below and described in detail on pages 47 to 57 of the 2020 Annual Report, which is available on the Group's website: www.regionalreit.com – Annual Report 2020. The Audit Committee, which assists the Board with its responsibilities for managing risk, considers that there have been no substantial changes to these principal risks. However, several principal risks continue to be elevated (as set out in the 2020 Annual Report), as a result of COVID-19 restrictions and the level of economic uncertainty associated with the UK's departure from the European Union.

A summary of the Group's principal risks for the second half of the year is provided below.

STRATEGIC

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

VALUATION

The valuation of the Group's portfolio, undertaken by the external valuer, Cushman & Wakefield, could impact the Group's profitability and net assets.

COVID-19

The economic disruption resulting from COVID-19 could further impact rental incomes, the Group's property portfolio valuations, the ability to access funding at competitive rates, maintain a progressive dividend policy, and adhere to the HMRC REIT regime requirements, especially if restrictions remain in place for a prolonged period of time.

ECONOMIC AND POLITICAL

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. There is a risk that the UK's departure from the European Union could impact property valuations whilst this period of uncertainty is navigated.

FUNDING

The Group may not be able to secure further debt on acceptable terms, which could impinge upon investment opportunities and the ability to grow the Group. Bank reference rates may be set to rise accompanying higher inflation.

TENANT

Structural changes in the occupational markets, coupled with the type and concentration of tenants could result in a lower rental income. A higher concentration of lease term maturity and/or break options, could result in a more volatile rental income.

FINANCIAL AND TAX CHANGE

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

OPERATIONAL

Business disruption could impinge on normal operations of the Group.

ACCOUNTING, LEGAL AND REGULATORY

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

ENVIRONMENTAL AND ENERGY EFFICIENCY STANDARDS

Changes to the environment and associated legal requirements could impact upon the Group's cost base, operations and legal requirements, which need to be adhered to. All of these risks could impinge upon the profitability of the Group.

INTERIM MANAGEMENT REPORT AND DIRECTORS' RESPONSIBILITY STATEMENT

INTERIM MANAGEMENT REPORT

The important events that have occurred during the period under review, the principal risks and uncertainties and the key factors influencing the financial statements for the remaining six months of the year are set out in the Chairman's Statement and the Asset and Investment Managers' Report.

The principal risks and uncertainties faced by the Group are substantially unchanged since the date of the Annual Report and Accounts for the year ended 31 December 2020 and are summarised above.

The condensed consolidated financial statements for the period from 1 January 2021 to 30 June 2021 have not been audited or reviewed by auditors pursuant to the Financial Reporting Council guidance on Review of Interim Financial Information and do not constitute annual statutory accounts for the purposes of the Law.

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.

Further detail on the assessment of going concern can be found in note 2.3.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY REPORT

In accordance with 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 their knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as contained in UK-adopted International Accounting Standards, 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;
- this Half-Yearly Report includes a fair review, required under DTR 4.2.7R, of the important events that have occurred during the first six months of the financial year, their impact on the condensed set of consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- this Half-Yearly Report includes a fair review, required 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 Half-Yearly Report was approved and authorised for issue by the Board of Directors on 15 September 2021 and the above responsibility statement was signed on its behalf by:

KEVIN MCGRATH

Chairman

15 September 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Continuing Operations				
Revenue				
Rental and property income	5	36,335	36,964	75,941
Property costs	6	(10,966)	(12,886)	(22,662)
Net rental and property income		25,369	24,078	53,279
Administrative and other expenses	7	(5,477)	(5,945)	(11,329)
Operating profit before gains and losses on property assets and other investments		19,892	18,133	41,950
Gain/(loss) on disposal of investment properties	13	585	(1,965)	(1,073)
Change in fair value of investment properties	13	1,985	(33,218)	(54,793)
Gain on disposal of right of use assets		2	–	–
Change in fair value of right of use assets		(97)	(98)	(195)
Operating profit/(loss)		22,367	(17,148)	(14,111)
Finance income	8	10	80	99
Finance expenses	9	(6,927)	(7,117)	(14,108)
Impairment of goodwill	14	–	(279)	(558)
Net movement in fair value of derivative financial instruments	17	2,563	(2,562)	(2,523)
Profit/(loss) before tax		18,013	(27,026)	(31,201)
Taxation	10	–	65	203
Total comprehensive income/(loss) for the period (attributable to owners of the parent Company)		18,013	(26,961)	(30,998)
Total comprehensive income arises from continuing operations.				
Earnings/(losses) per share – basic and diluted	11	4.2p	(6.2)p	(7.2)p

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Assets				
Non-current assets				
Investment properties	13	729,115	742,300	732,380
Right of use assets		15,956	16,253	16,156
Goodwill	14	–	279	–
Non-current receivables on tenant loan		915	1,108	1,011
		<u>745,986</u>	<u>759,940</u>	<u>749,547</u>
Current assets				
Trade and other receivables		30,819	35,973	33,690
Cash and cash equivalents		75,331	67,913	67,373
		<u>106,150</u>	<u>103,886</u>	<u>101,063</u>
Total assets		<u>852,136</u>	<u>863,826</u>	<u>850,610</u>
Liabilities				
Current liabilities				
Trade and other payables		(37,838)	(36,071)	(33,809)
Deferred income		(10,359)	(12,408)	(14,584)
Deferred tax liabilities		(690)	(633)	(690)
		<u>(48,887)</u>	<u>(49,112)</u>	<u>(49,083)</u>
Non-current liabilities				
Bank and loan borrowings	15	(310,388)	(306,917)	(310,692)
Retail eligible bonds	16	(49,518)	(49,363)	(49,441)
Derivative financial instruments	17	(1,776)	(4,378)	(4,339)
Lease liabilities		(16,349)	(16,491)	(16,473)
		<u>(378,031)</u>	<u>(377,149)</u>	<u>(380,945)</u>
Total liabilities		<u>(426,918)</u>	<u>(426,261)</u>	<u>(430,028)</u>
Net assets		<u>425,218</u>	<u>437,565</u>	<u>420,582</u>
Equity				
Stated capital	18	430,819	430,819	430,819
(Accumulated losses)/retained earnings		(5,601)	6,746	(10,237)
Total equity attributable to owners of the parent company		<u>425,218</u>	<u>437,565</u>	<u>420,582</u>
Net asset value per share – basic and diluted	19	<u>98.5p</u>	<u>101.4p</u>	<u>97.5p</u>

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 2021

		Attributable to owners of the parent company		
		Stated capital £'000	Accumulated losses £'000	Total £'000
For the six months ended 30 June 2021	Notes			
Balance at 1 January 2021		430,819	(10,237)	420,582
Total comprehensive income		–	18,013	18,013
Dividends paid	12	–	(13,377)	(13,377)
Balance at 30 June 2021		<u>430,819</u>	<u>(5,601)</u>	<u>425,218</u>

		Attributable to owners of the parent company		
		Stated capital £'000	Retained earnings £'000	Total £'000
For the six months ended 30 June 2020	Notes			
Balance at 1 January 2020		430,819	52,909	483,728
Total comprehensive loss		–	(26,961)	(26,961)
Dividends paid	12	–	(19,202)	(19,202)
Balance at 30 June 2020		<u>430,819</u>	<u>6,746</u>	<u>437,565</u>

		Attributable to owners of the parent company		
		Stated capital £'000	Retained earnings/ (Accumulated losses) £'000	Total £'000
For the year ended 31 December 2020	Notes			
Balance at 1 January 2020		430,819	52,909	483,728
Total comprehensive loss		–	(30,998)	(30,998)
Dividends paid	12	–	(32,148)	(32,148)
Balance at 31 December 2020		<u>430,819</u>	<u>(10,237)</u>	<u>420,582</u>

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 2021

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Cash flows from operating activities			
Profit/(loss) for the period before taxation	18,013	(27,026)	(31,201)
– Change in fair value of investment properties	(1,985)	33,218	54,793
– Change in fair value of financial derivative instruments	(2,563)	2,562	2,523
– (Gain)/loss on disposal of investment properties	(585)	1,965	1,073
– Gain on disposal of right of use assets	(2)	–	–
– Change in fair value of right of use assets	97	97	195
Impairment of goodwill	–	279	558
Finance income	(10)	(80)	(99)
Finance expenses	6,927	7,117	14,108
Decrease/(increase) in trade and other receivables	2,967	(5,244)	(2,821)
(Decrease)/increase in trade and other payables and deferred income	(631)	6,754	8,878
Cash generated from operations	22,228	19,642	48,007
Finance costs	(6,109)	(6,325)	(12,515)
Taxation received	–	32	174
Net cash flow generated from operating activities	16,119	13,349	35,666
Investing activities			
Purchase of investment properties and subsequent expenditure	(4,993)	(4,625)	(53,759)
Sale of investment properties	10,828	15,057	53,428
Interest received	11	73	101
Net cash flow generated from/(used in) investing activities	5,846	10,505	(230)
Financing activities			
Dividends paid	(12,943)	(11,516)	(26,672)
Bank borrowings advanced	1,109	30,698	39,200
Bank borrowings repaid	(1,570)	(11,967)	(17,029)
Bank borrowing costs paid	(296)	(95)	(192)
Lease repayments	(307)	(309)	(618)
Net cash flow (used in)/generated from financing activities	(14,007)	6,811	(5,311)
Net increase in cash and cash equivalents for the period	7,958	30,665	30,125
Cash and cash equivalents at the start of the period	67,373	37,248	37,248
Cash and cash equivalents at the end of the period	75,331	67,913	67,373

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 comprise the results of the Company and its subsidiaries (together constituting the "Group") and were approved by the Board and authorised for issue on 15 September 2021.

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

The Company was incorporated on 22 June 2015 and is registered with the Guernsey Financial Services Commission as a Registered Closed-Ended Collective Investment Scheme pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Schemes Rules 2018.

The Company did not begin trading until 6 November 2015 when its 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 2021 have been prepared on a going concern basis in accordance with the Disclosure Guidance and Transparency Rules of the FCA and with IAS 34, Interim Financial Reporting, as contained in UK-adopted International Accounting Standards.

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 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as contained in UK-adopted International Accounting Standards.

2.1. Comparative period

The comparative financial information presented herein for the six months ended 30 June 2020 and year ended 31 December 2020 do not constitute full statutory accounts within the meaning of the Law. The Group's Annual Report and Accounts for the year ended 31 December 2020 were delivered to the Guernsey Financial Services Commission. 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) pounds, except where otherwise indicated.

2.3. Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern. This assessment included consideration of the current uncertainties created by COVID-19, coupled with the Group's cash resources, borrowing facilities, rental income, acquisition and disposals of investment properties, elective and committed capital expenditure and dividend distributions.

The Group ended the period under review with £75.3m of cash and cash equivalents, of which £61.3m was unrestricted cash, providing ample liquidity.

Borrowing facilities decreased from £366.2m at 31 December 2020 to £365.7m as at 30 June 2021, with an LTV of 39.8%, based upon the value of Company's investment properties as at 30 June 2021. In respect of the Company's borrowings, the first of its facilities to mature is for £55.0m in June 2025, which is held with the Royal Bank of Scotland.

Following the subsequent event on 31 August 2021 of the £236m property acquisition (see Note 22), the Directors are satisfied that the Company has adequate resources to continue in operational existence for a period no less than 12 months from the date of these Financial Statements. This is underpinned by the robust rent collections and the limited level of committed capital expenditure in the forthcoming 12 months. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors consider that it is appropriate to prepare the Financial Statements on a going concern basis.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 30 June 2021

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 £729,115,000 (30 June 2020: £742,300,000; 31 December 2020: £732,380,000) 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 requirements of the RICS Valuation – Global Standards which incorporate the International Valuation Standards ("IVS") and the RICS Valuation UK National Supplement (the "RICS Red Book") edition current at the Valuation Date. It follows that the valuations are compliant with "IVS". 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.

In relation to Brexit, the recently completed negotiations with regards to the terms of the UK's exit from the EU has meant that property market remains uncertain. There is some uncertainty concerning the impact of COVID-19, however, the independent valuers note the following in their report:

"The outbreak of Novel Coronavirus (COVID-19), which was declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – our valuation is not reported as being subject to 'material valuation uncertainty', as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards."

3.1.2. Fair valuation of interest rate derivatives

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 a liability of £1,776,000 (30 June 2020: £4,378,000; 31 December 2020: £4,339,000), as set out on Note 17.

3.1.3. Dilapidation income

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

3.1.4. Operating lease contracts – the group as lessee

The Group has a number of leases concerning the long-term lease of land associated with its long leasehold investment properties. Under IFRS16, the Group calculates the lease liability at each reporting date and at the inception of each lease and at 1 January 2019 when the standard was first adopted. The liability is calculated using present value of future lease payments using the Group's incremental borrowing rate as the discount rate. At 30 June 2021, there were 13 leases with the range of the period left to run being 45 and 104 years. The Directors have determined that the discount rate to use in the calculation for each lease is 3.5% being the Group's weighted average cost of debt at the date of transition.

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. Leases – the group as lessee

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 highwater mark which is equal to the greater of the highest year-end EPRA NAV per Ordinary Share in any previous performance period or the placing price (100p per Ordinary Share). The performance fee was calculated initially on 31 December 2018 and will be calculated annually thereafter.

In the period to date, the Group has not met the criteria for a performance fee. However, future circumstances may dictate that a performance fee is ultimately due. Further details are disclosed in note 21.

3.2.3. Recognition of income

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

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

Management considered that up until 9 November 2018, the Group had de facto control of View Castle Limited and its 27 subsidiaries (the "View Castle Sub Group") by virtue of the amended and restated Call Option Agreement dated 3 November 2015. Following a restructure of the View Castle Sub Group, the majority of properties held within the View Castle Sub Group were transferred into two new special purpose vehicles ("SPVs") with two additional properties to be transferred into these SPVs at a later date. A new call option was entered into dated 9 November 2018 with View Castle Limited and five of its subsidiaries (the "View Castle Group"). As per the previous amended and restated

Call Option Agreement, under this new option the Group may acquire any of the properties held by the View Castle Group for a fixed nominal consideration. Despite having no equity holding, the Group is deemed to have control over the View Castle Group as the Option Agreement means that the Group is exposed to, and has rights to, variable returns from its involvement with the View Castle Group, through its power to control.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

With the exception of new accounting standards listed below, the accounting policies adopted in this report are consistent with those applied in the Group's statutory accounts for the year ended 31 December 2020 and are expected to be consistently applied for the current year ending 31 December 2021. The changes to the condensed consolidated financial statements arising from accounting standards effective for the first time are noted below:

Interest Rate Benchmark Reform—Phase 2:

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments; Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' (effective for periods beginning on or after 1 January 2021)

These amendments address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate.

The Group's borrowings with Royal Bank of Scotland and Santander UK will be transitioning from the London Interbank Offer Rate (LIBOR) benchmark to Sterling Overnight Index Average (SONIA) benchmark by 31 December 2021. There is expected to be negligible cost involved in the borrowing facility transition and the respective hedge instrument amendments.

The Directors are currently assessing the impact of the changes in accounting standards but as the Group does not apply hedge accounting, it is anticipated that the accounting standard amendments will not have a significant impact on the preparation of the financial statements.

5. RENTAL AND PROPERTY INCOME

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Rental income – freehold property	26,636	26,407	55,382
Rental income – long leasehold property	2,891	3,033	6,695
Recoverable service charge income and other similar items	6,808	7,524	13,864
Total	36,335	36,964	75,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 30 June 2021

6. PROPERTY COSTS

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Other property expenses and irrecoverable costs	4,158	5,362	8,798
Recoverable service charge income and other similar costs	6,808	7,524	13,864
Total	10,966	12,886	22,662

Property costs represent direct operating expenses which arise on investment properties generating rental income.

7. ADMINISTRATIVE AND OTHER EXPENSES

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Investment management fees	1,137	1,413	2,577
Property management fees	1,183	1,127	2,266
Asset management fees	1,139	1,430	2,579
Directors' remuneration	125	125	255
Administration fees	339	296	634
Legal and professional fees	839	823	1,674
Marketing and promotion	35	30	69
Other administrative costs (including bad debts)	658	690	1,257
Bank charges	22	11	18
Total	5,477	5,945	11,329

8. FINANCE INCOME

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Interest income	10	80	99
Total	10	80	99

9. FINANCE EXPENSES

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Interest payable on bank borrowings	4,980	5,208	10,257
Amortisation of loan arrangement fees	453	425	857
Bond interest	1,125	1,113	2,250
Bond issue costs amortised	77	77	155
Bond expenses	4	4	8
Lease interest	288	290	581
Total	6,927	7,117	14,108

10. TAXATION

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Corporation tax credit	–	(26)	(157)
(Decrease)/increase in deferred tax creditor	–	(39)	(46)
Total	–	(65)	(203)

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, corporation tax and deferred tax above arise on entities which form part of the Group's 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 30 June 2021

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.

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

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Calculation of earnings per share			
Net profit/(loss) attributable to Ordinary Shareholders	18,013	(26,961)	(30,998)
Adjustments to remove:			
Changes in value of investment properties	(1,985)	33,218	54,793
Changes in fair value of interest rate derivatives and financial assets	(2,563)	2,562	2,523
(Gain)/loss on disposal of investment property	(585)	1,965	1,073
Impairment of goodwill	–	279	558
Deferred tax credit	–	(39)	(46)
EPRA net profit attributable to Ordinary Shareholders	12,880	11,024	27,903
Add performance fee	–	–	–
Company specific adjusted earnings figure	12,880	11,024	27,903
 Weighted average number of Ordinary Shares	 431,506,583	 431,506,583	 431,506,583
Earnings/(loss) per share – basic and diluted	4.2p	(6.2)p	(7.2)p
EPRA earnings per share – basic and diluted	3.0p	2.6p	6.5p
Company specific adjusted earnings per share – basic and diluted	3.0p	2.6p	6.5p

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

12. DIVIDENDS

	Six months ended 30 June 2021 (unaudited) £'000	Six months ended 30 June 2020 (unaudited) £'000	Year ended 31 December 2020 (audited) £'000
Dividend of 1.50 (2020: 2.55) pence per Ordinary Share for the period 1 October – 31 December	6,473	11,004	11,004
Dividend of 1.60 (2020: 1.90) pence per Ordinary Share for the period 1 January – 31 March	6,904	8,198	8,198
Dividend of – (2020: 1.50) pence per Ordinary Share for the period 1 April – 30 June	–	–	6,473
Dividend of – (2020: 1.50) pence per Ordinary Share for the period 1 July – 30 September	–	–	6,473
	13,377	19,202	32,148

On 25 February 2021, the Company declared a dividend of 1.50 pence per share in respect of the period 1 October 2020 to 31 December 2020. The dividend payment was made on 9 April 2021 to Shareholders on the register as at 5 March 2021.

On 19 May 2021, the Company declared a dividend of 1.60 pence per share in respect of the period 1 January 2021 to 31 March 2021. The dividend payment was made on 16 July 2021 to Shareholders on the register as at 28 May 2021.

On 25 August 2021, the Company declared a dividend in respect of the period 1 April 2021 to 30 June 2021 of 1.60 pence per share, which will be paid on 15 October 2021 to Shareholders on the register as at 10 September 2021. 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, a Chartered Surveyor who is an accredited independent valuer with recognised and relevant professional qualifications and with recent experience in the locations and categories of the investment properties being valued. The valuation has been prepared in accordance with the Red Book and incorporates the recommendations of the International Valuation Standards Committee which are consistent with the principles set out in IFRS 13.

In relation to Brexit, the recently completed negotiations with regards to the terms of the UK's exit from the EU has meant that the property market remains uncertain. There is some uncertainty concerning the impact of COVID-19 however, the independent valuers note the following in their report:

"The outbreak of Novel Coronavirus (COVID-19), which was declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – our valuation is not reported as being subject to 'material valuation uncertainty', as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards."

The valuation is 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.

	Freehold property £'000	Long leasehold property £'000	Total £'000
Group			
Movement in investment properties for the six months ended 30 June 2021			
Valuation at 1 January 2021	659,432	72,948	732,380
Property additions – acquisitions	645	–	645
Property additions – subsequent expenditure	2,341	2,007	4,348
Property disposals	(10,828)	–	(10,828)
Gain on the disposal of investment properties	585	–	585
Change in fair value during the period	1,394	591	1,985
Valuation at 30 June 2021 (unaudited)	653,569	75,546	729,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 30 June 2021

	Freehold property £'000	Long leasehold property £'000	Total £'000
Movement in investment properties for the six months ended 30 June 2020			
Valuation at 1 January 2020	697,908	90,007	787,915
Property additions – acquisitions	83	–	83
Property additions – subsequent expenditure	4,519	23	4,542
Property disposals	(14,793)	(264)	(15,057)
Loss on the disposal of investment properties	(1,714)	(251)	(1,965)
Change in fair value during the period	(26,223)	(6,995)	(33,218)
Valuation at 30 June 2020 (unaudited)	659,780	82,520	742,300

	Freehold property £'000	Long leasehold property £'000	Total £'000
Movement in investment properties for the year ended 31 December 2020			
Valuation at 1 January 2020	697,908	90,007	787,915
Property additions – acquisitions	44,956	–	44,956
Property additions – subsequent expenditure	8,446	357	8,803
Property disposals	(47,035)	(6,393)	(53,428)
Gain/(loss) on the disposal of investment properties	(1,128)	55	(1,073)
Change in fair value during the period	(43,715)	(11,078)	(54,793)
Valuation at 31 December 2020 (audited)	659,432	72,948	732,380

The historic cost of the properties was £752,029,000 (30 June 2020: £739,576,000, 31 December 2020: £759,705,000).

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

	Total £'000	Quoted active prices (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
Date of valuation:				
30 June 2021	729,115	–	–	729,115
30 June 2020	742,300	–	–	742,300
31 December 2020	732,380	–	–	732,380

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.

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, any environmental matters and the overall repair and condition of the property, and discount rates applicable to those assets. Future revenue streams comprise contracted rent (passing rent) and estimated rental value after the contract period. In calculating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

In arriving at their estimates of fair values as at 30 June 2021, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables.

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: £9,000 – £3,087,591 per annum (30 June 2020: £9,000 – £3,092,291 per annum; 31 December 2020: £9,000 – £3,092,291 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% – 27.26%; (30 June 2020: 0% – 23.90%; 31 December 2020: 0.00% to 25.64%)).

Unobservable inputs:

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

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 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Group			
At start of period	–	558	558
Impairment	–	(279)	(558)
At end of period	–	279	–

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 is 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 Condensed Consolidated 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. As at 31 December 2020 the goodwill had been fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 30 June 2021

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 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Bank borrowings drawn at start of period	316,171	294,000	294,000
Bank borrowings drawn	1,109	30,698	39,200
Bank borrowings repaid	(1,570)	(11,967)	(17,029)
Bank borrowings drawn at end of period	315,710	312,731	316,171
Less: unamortised costs at start of period	(5,479)	(6,144)	(6,144)
Less: loan issue costs incurred in the period	(296)	(95)	(192)
Add: loan issue costs amortised in the period	453	425	857
At end of period	310,388	306,917	310,692
Maturity of bank borrowings			
Repayable within 1 year	–	–	–
Repayable between 1 to 2 years	–	–	–
Repayable between 2 to 5 years	51,024	53,328	52,349
Repayable after more than 5 years	264,686	259,403	263,822
Unamortised loan issue costs	(5,322)	(5,814)	(5,479)
	310,388	306,917	310,692

The table below lists the Group's borrowings.

Lender	Original facility £'000	Outstanding debt* £'000	Maturity date	Gross loan to value** %	Annual interest rate %	Amortisation
Royal Bank of Scotland	55,000	51,024	June 2025	40.3	2.15 over 3 months £ LIBOR	Mandatory prepayment
Scottish Widows Ltd & Aviva Investors Real Estate Finance	165,000	165,000	December 2027	46.6	3.28 Fixed	Mandatory prepayment
Scottish Widows	36,000	36,000	December 2028	40.9	3.37 Fixed	None
Santander UK	65,870	63,686	June 2029	38.1	2.20 over 3 months £ LIBOR	Mandatory prepayment
Total bank borrowings	321,870	315,710				
Retail eligible bond	50,000	50,000	August 2024		4.50 Fixed	None
Total	371,870	365,710				

LIBOR = London Interbank Offered Rate (Sterling)

* Before unamortised debt issue costs

** Based upon Cushman & Wakefield property valuations

The weighted average term to maturity of the Group's debt at the period end was 6.0 years (30 June 2020: 6.8 years; 31 December 2020: 6.4 years). The weighted average interest rate payable by the Group on its debt portfolio, excluding hedging costs, as at the period end was 3.1% per annum (30 June 2020: 3.2% per annum; 31 December 2020: 3.1% per annum).

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 to rent cover. A breach of agreed covenant levels would typically result in an event of default of the respective facility, giving the lender the right, but not the obligation, to declare the loan immediately due and payable. Where a loan is repaid in these circumstances, early repayment fees will apply, which are generally based on 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.

In line with recent announcements from the Bank of England and the FCA, the Royal Bank of Scotland and Santander UK borrowings will be transitioning from the London Interbank Offer Rate (LIBOR) benchmark to Sterling Overnight Index Average (SONIA) benchmark by 31 December 2021. There is expected to be negligible cost involved in the borrowing facility transition and the respective hedge instrument amendments.

16. RETAIL ELIGIBLE BONDS

The Company has in issue £50,000,000 of 4.5% retail eligible bonds with a maturity date of 6 August 2024. The bonds are listed on the LSE ORB platform.

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Bond principal at start of period	50,000	50,000	50,000
Unamortised issue costs at start of period	(559)	(714)	(714)
Amortisation of issue costs	77	77	155
At end of period	<u>49,518</u>	<u>49,363</u>	<u>49,441</u>

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 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Group			
Fair value at start of period	(4,339)	(1,816)	(1,816)
Revaluation in the period	2,563	(2,562)	(2,523)
Fair value at end of period	<u>(1,776)</u>	<u>(4,378)</u>	<u>(4,339)</u>

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 30 June 2021

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

Lender	Original facility £'000	Outstanding debt £'000	Maturity date	Annual interest rate %	Notional amount £'000	Rate %
Royal Bank of Scotland	55,000	51,024	June 2025	2.15 over 3 months £ LIBOR	swap £27,500 cap £27,500	1.26 1.26
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	165,000	165,000	December 2027	3.28 Fixed	n/a	n/a
Scottish Widows	36,000	36,000	December 2028	3.37 Fixed	n/a	n/a
Santander UK	65,870	63,686	June 2029	2.20 over 3 months £ LIBOR	swap £32,935 cap £32,935	1.45 1.45
Total	321,870	315,710				

LIBOR = London Interbank Offered Rate (Sterling)

As at 30 June 2021, the swap and the cap notional arrangements were £60.44m (30 June 2020: £60.44m; 31 December 2020: £60.44m).

The Group weighted average cost of debt of 3.3%, (30 June 2020: 3.4%; 31 December 2020: 3.3%) is inclusive of hedging costs.

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. The hedging on all of the facilities matches the term. As at the period end date, the total proportion of hedged debt equated to 102.0% (30 June 2020: 102.9%; 31 December 2020: 101.8%), as shown below.

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Total bank borrowings	315,710	312,731	316,171
Notional value of interest rate caps and swaps	120,870	120,870	120,870
Value of fixed rate debts	201,000	201,000	201,000
	321,870	321,870	321,870
Proportion of hedged debt	102.0%	102.9%	101.8%

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
Date of valuation:				
30 June 2021	(1,776)	–	(1,776)	–
30 June 2020	(4,378)	–	(4,378)	–
31 December 2020	(4,339)	–	(4,339)	–

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.

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Group			
Issued and fully paid shares of no par value			
At start of the period	430,819	430,819	430,819
At end of the period	430,819	430,819	430,819
Number of shares in issue			
At start of the period	431,506,583	431,506,583	431,506,583
At end of the period	431,506,583	431,506,583	431,506,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 30 June 2021

19. NET ASSET VALUE PER SHARE (NAV)

Basic NAV per share is calculated by dividing the net assets in the Condensed Consolidated 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.

EPRA net asset value 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 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Group			
Net asset value per Consolidated Statement of Financial Position	425,218	437,565	420,582
Adjustment for calculating EPRA Net Tangible Assets:			
Derivative financial instruments	1,776	4,378	4,339
Deferred tax liability	690	698	690
Goodwill	–	(279)	–
EPRA Net Tangible Assets	427,684	442,362	425,611
 Number of Ordinary Shares in issue	 431,506,583	 431,506,583	 431,506,583
Net asset value per share – basic and diluted	98.5p	101.4p	97.5p
EPRA Net Tangible Assets per share – basic and diluted	99.1p	102.5p	98.6p

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

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

In consideration for the provision of services provided, the Asset Manager is entitled in each financial year (or part thereof) to 50% of an annual management fee on a scaled rate of 1.1% of the EPRA 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.

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Asset management fees charged ¹	1,139	1,430	2,579
Property management fees charged ¹	1,183	1,127	2,266
Performance fee	–	–	–
Total	2,322	2,557	4,845

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Total fees outstanding ¹	1,186	1,347	612

¹ Including irrecoverable VAT charged where appropriate

Transactions with the Investment Manager, Toscafund Asset Management LLP

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

In consideration for the provision of services provided, the Investment Manager is entitled in each financial year (or part thereof) to 50% of an annual management fee on a scaled rate of 1.1% of the EPRA net asset value, 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:

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Investment management fees charged	1,137	1,413	2,577
Performance fees charged	–	–	–
Total	1,137	1,413	2,577

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Total fees outstanding	584	665	1,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 30 June 2021

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. The performance fee was calculated initially on 31 December 2018 and annually thereafter.

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

No performance fee has been earned for the six months ending 30 June 2021 or 30 June 2020 or the year ending 31 December 2020.

22. SUBSEQUENT EVENTS

On 31 August 2021, the Company announced the acquisition of 31 high quality, predominately multi-let office assets for a consideration price of £236.0m, reflecting a net initial yield of 7.8%. The consideration was satisfied by three components: the issuance of 84,230,000 new ordinary shares in the Company at 98.6 pence per share (being the EPRA Net Tangible Asset Value per share as at 31 December 2020) equivalent to £83.1m, £76.7m of existing cash resources and additional borrowings of £76.2m.

EPRA PERFORMANCE MEASURES



EPRA BPR AWARDS 2020

In 2020, the Company was pleased to be recognised by EPRA for a third consecutive year and be granted its second EPRA BPR Gold Award in respect of the Company's exceptional compliance with EPRA's Best Practices Recommendations for financial reporting of listed property companies.

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

EPRA has developed and defined the following performance measures to give transparency, comparability and relevance of financial reporting across entities which may use different accounting standards. The 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 2021	31 December 2020
EPRA EARNINGS	Earnings from operational activities	EPRA Earnings EPRA Earnings per share (basic and diluted)	£12,881,000 3.0p	£27,903,000 6.5p
Company Adjusted Earnings	Company Specific Earnings Measure which adds back the performance fee charged in the accounts	Adjusted Earnings EPRA Earnings per share (basic and diluted)	£12,881,000 3.0p	£27,903,000 6.5p

The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.

EPRA Net Reinstatement Value	EPRA NAV metric which assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	EPRA Net Reinstatement Value EPRA Net Reinstatement Value per share (diluted)	£427,684,000 99.1p	£425,611,000 98.6p
EPRA Net Tangible Assets	EPRA NAV metric which assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	EPRA Net Tangible Assets EPRA Net Tangible Assets per share (diluted)	£427,684,000 99.1p	£425,611,000 98.6p
EPRA Net Disposal Value	EPRA NAV metric which represents the Shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	EPRA Net Disposal Value EPRA Net Disposal Value per share (diluted)	£415,303,000 96.2p	£404,365,000 93.7p
EPRA NET INITIAL YIELD	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property with (estimated) purchasers' costs.	EPRA Net Initial Yield	6.7%	6.9%
EPRA 'TOPPED-UP' NIY	This measure incorporates an adjustment to the ERA NIY in respect of the expiration of rent-free-periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).	EPRA 'Topped-up' Net Initial Yield	6.8%	7.4%
EPRA VACANCY RATE	Estimated Market Rental Value (ERV) of vacancy space divided by ERV of the whole portfolio.	EPRA Vacancy Rate	14.3%	10.6%
EPRA COSTS RATIO	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.	EPRA Costs Ratio EPRA Costs Ratio (excluding direct vacancy costs)	32.6% 19.9%	32.4% 19.6%

NOTES TO THE CALCULATION OF EPRA PERFORMANCE MEASURES

1. EPRA EARNINGS AND COMPANY ADJUSTED EARNINGS

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

2. EPRA NET REINSTATEMENT VALUE

	30 June 2021 £'000	31 December 2020 £'000
NAV per the financial statements	425,218	420,582
Fair value of derivative financial instruments	1,776	4,339
Deferred tax liability	690	690
EPRA Net Reinstatement Value	427,684	425,611
Dilutive number of shares	431,506,583	431,506,583
EPRA Net Reinstatement Value per share	99.1p	98.6p

3. EPRA NET TANGIBLE ASSETS

	30 June 2021 £'000	31 December 2020 £'000
NAV per the financial statements	425,218	420,582
Fair value of derivative financial instruments	1,776	4,339
Deferred tax liability	690	690
EPRA Net Tangible Assets	427,684	425,611
Dilutive number of shares	431,506,583	431,506,583
EPRA Net Tangible Assets per share	99.1p	98.6p

4. EPRA NET DISPOSAL VALUE

	30 June 2021 £'000	31 December 2020 £'000
NAV per the financial statements	425,218	420,582
Adjustment for the fair value of bank borrowings	(8,850)	(16,717)
Adjustment for the fair value of retail eligible bonds	(1,065)	500
EPRA Net Disposal Value	415,303	404,365
Dilutive number of shares	431,506,583	431,506,583
EPRA Net Disposal Value per share	96.2p	93.7p

5. EPRA NET INITIAL YIELD

Calculated as the value of investment properties divided by annualised net rents:

	30 June 2021 £'000	31 December 2020 £'000
Investment properties	729,115	732,380
Purchaser costs	47,897	48,068
	<u>777,012</u>	<u>780,448</u>
Annualised cash passing rental income	58,252	59,754
Property outgoings	(6,279)	(5,586)
Annualised net rents	<u>51,973</u>	<u>54,168</u>
Add notional rent expiration of rent free periods or other lease incentives	<u>591</u>	<u>3,198</u>
Topped-up net annualised rent	<u>52,564</u>	<u>57,366</u>
EPRA NIY	<u>6.7%</u>	<u>6.9%</u>
EPRA topped up NIY	<u>6.8%</u>	<u>7.4%</u>

6. EPRA VACANCY RATE

	30 June 2021 £'000	31 December 2020 £'000
Estimated Market Rental Value (ERV) of vacant space	<u>10,230</u>	<u>7,733</u>
Estimated Market Rental Value (ERV) of whole portfolio	<u>71,549</u>	<u>72,874</u>
EPRA Vacancy Rate	<u>14.3%</u>	<u>10.6%</u>

7. EPRA COST RATIOS

	30 June 2021 £'000	31 December 2020 £'000
Property costs	10,966	22,662
Less recoverable service charge income and other similar costs	(6,809)	(13,864)
Add administrative and other expenses	<u>5,477</u>	<u>11,329</u>
EPRA costs (including direct vacancy costs)	<u>9,634</u>	<u>20,127</u>
Direct vacancy costs	<u>(3,766)</u>	<u>(7,967)</u>
EPRA costs (excluding direct vacancy costs)	<u>5,868</u>	<u>12,160</u>
Gross rental income	36,335	75,941
Less recoverable service charge income and other similar items	<u>(6,809)</u>	<u>(13,864)</u>
Gross rental income less ground rents	<u>29,526</u>	<u>62,077</u>
EPRA Cost Ratio (including direct vacancy costs)	<u>32.6%</u>	<u>32.4%</u>
EPRA Cost Ratio (excluding direct vacancy costs)	<u>19.9%</u>	<u>19.6%</u>

The Group has not capitalised any overhead or operating expenses in the accounting years disclosed above.

PROPERTY RELATED CAPITAL EXPENDITURE ANALYSIS

	30 June 2021 £'000	31 December 2020 £'000
Acquisitions	645	44,956
Subsequent capital expenditure	4,348	8,803
Total capital expenditure	4,993	53,759

Acquisitions – this represents the purchase cost of investment properties and associated incidental purchase expenses such as stamp duty land tax, legal fees, agents' fees, valuations and surveys.

Subsequent capital expenditure – this represents capital expenditure which has taken place post the initial acquisition of an investment property.

GLOSSARY OF TERMS

AIC – Association of Investment Companies. A trade body for closed-end investment companies (www.theaic.co.uk).

AIF – Alternative Investment Fund.

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires the Company to appoint an Alternative Investment Fund Manager (AIFM). The Board of Directors of a closed-ended investment company nevertheless remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.

AIFM – Alternative Investment Fund Manager. The entity which ensures the Company complies with the AIFMD. The Company's AIFM is Toscafund Asset Management LLP.

Alternative Performance Measures (APMs) – APMs are key performance indicators used by the Board to assess the Company's performance.

Auditor – RSM UK Audit LLP

Board – the Board of Directors of the Company.

Borrowings – Aggregate amount of total drawn bank facilities and the retail eligible bond.

Break Option – a clause in a lease which provides the landlord or tenant with an ability to terminate the lease before its contractual expiry date.

CAPEX – capital expenditure relates to spend used by the organisation to maintain or upgrade physical assets.

Company – Regional REIT Limited (Company Number 60527, Registered in Guernsey).

Company Adjusted Earnings – a company specific earnings measure which adds back the performance fee charged in the accounts to EPRA Earnings.

Core Property – stable income properties with low risk.

Core Plus Property – growth and income properties with the ability to increase cash flows through asset management initiatives.

Directors – the Directors of the Company whose names are set out on page 45.

EPC – Energy Performance Certificate.

EPRA Cost Ratio – ratio of overheads and operating expenses against gross rental income. Net overheads and operating expenses relate to all administrative and operating expenses including the share of joint ventures' overheads and operating expenses, net of any service fees, recharges or other income specifically intended to cover overhead and property expenses.

EPRA – European Public Real Estate Association, a real estate industry body, which has issued Best Practice Recommendations to provide consistency and transparency in real estate financial reporting across Europe.

EPRA Earnings – profit after taxation excluding investments and development property revaluations and gains/losses on disposals, changes in the fair value of financial instruments and associated close-out costs and their related taxation.

EPRA Net Asset Value (EPRA NAV) – IFRS assets excluding the mark-to-market on effective cash flow hedges and related debt instruments and deferred taxation revaluations.

EPRA Triple NAV (EPRA NNNAV) – EPRA net assets adjusted to include deferred tax liabilities and the fair values of financial instruments and debt.

EPRA Net Initial Yield – Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property with (estimated) purchasers' costs.

EPRA "Topped Up" Net Initial Yield – This measure incorporates an adjustment to the ERA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

EPRA Net Tangible Assets (EPRA NTA) – EPRA Net Asset Value Measure assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA Total Return – The movement in EPRA NTA plus the dividend distributions paid during the period expressed as a percentage of the EPRA NTA at the beginning of the period.

EPRA Vacancy Rate – occupancy expressed as a percentage being the ERV of vacant space divided by ERV of the whole portfolio. Vacancy Rate should only be calculated for all completed properties but excluding those properties which are under development.

EPRA Occupancy Rate – occupancy expressed as a percentage being the ERV of let space divided by ERV of the whole portfolio. Occupancy Rate should only be calculated for all completed properties but excluding those properties which are under development.

Equivalent Yield – weighted average of the initial yield and reversionary yield, representing the return that a property will produce based on the occupancy data of the tenant leases.

ESG – Environmental, Social, and Corporate Governance refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

Estimated Rental Value (ERV) or Market Rent (MR) – external valuers' opinion as to what the open market rental value of the property is on the valuation date and which could reasonably be expected to be the rent obtainable on a new letting of that property on the valuation date.

External Valuer – independent external valuer of a property. The Company's external valuer is Cushman & Wakefield.

Fair Value Adjustment – accounting adjustment to change the book value of an asset or liability to its market value.

GRESB – The Global Real Estate Sustainability benchmark. The assessment is the investor driven global ESG benchmark and reporting framework for listed property companies, private property funds, developer and investors that invest directly in real estate.

Gross Asset Value – the aggregate value of the total assets of the Company as determined in accordance with the accounting principles adopted by the Company from time to time.

Gross Investment Property Assets – investment properties encompassing the entire property portfolio of freehold and leasehold assets.

Gross Rental Income – See Rent Roll.

Gross Loan-to-Value (LTV) Ratio – (Borrowings) / (Investment Properties Value), expressed as a percentage.

Group – Regional REIT Limited and its subsidiaries.

IAS – an international accounting standard established by the International Accounting Standards Board.

GLOSSARY OF TERMS continued

ISA – Individual Savings Account.

IPO – Initial Public Offering. The Company's admission to the London Stock Exchange was on 6 November 2015.

Law – The Companies (Guernsey) Law 2008, as amended

Lease – legally binding contract between a landlord and a tenant which sets out the basis on which the tenant is permitted to occupy a property, including the lease length.

Lease Incentive – payment used to encourage a tenant to take on a new lease, for example a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent-free period.

Lease Re-gear – renegotiation of a lease during the term and often linked to another lease event, for example a Break Option or Rent Review.

Lease Renewal – renegotiation of a lease with the existing tenant at its contractual expiry.

Lease Surrender – agreement whereby the landlord and tenant bring a lease to an end other than by contractual expiry or the exercise of a Break Option. This will frequently involve the negotiation of a surrender premium by one party to the other.

LIBOR – London Interbank Offer Rate

Mark-to-Market (MTM) – difference between the book value of an asset or liability and its market value.

Manager(s) – the Company's external Asset and Property Manager is London & Scottish Property Investment Management Limited. Its external Investment Manager is Toscafund Asset Management LLP.

Net Asset Value (NAV) (or Shareholders' Funds) (Prior EPRA methodology) – the value of the investments and other assets of an investment company, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an investment company at a point in time.

Net Debt – Total cash and cash equivalents less short- and long-term debt.

Net Gearing – $(\text{Borrowings} - \text{cash and cash equivalents}) / (\text{Total Issued Shares} + \text{Retained Earnings})$.

Net Loan-to-Value (LTV) Ratio – $(\text{Borrowings} - \text{less cash}) / (\text{Investment Properties Value})$ expressed as percentage.

Ordinary Resolution – a resolution passed by more than 50 per cent. majority in accordance with the Companies Law.

Occupancy Percentage – percentage of the total area of all properties and units currently let to tenants.

Over Rented – when the Contracted Rent is higher than the ERV.

Ongoing Charges – A measure, expressed as a percentage of NAV, of the regular, recurring costs of running an investment company which is calculated in line with AIC methodology

Passing Rent – the rent that is payable at any particular time, allowing for lease incentives. This phrase is often used for Contracted Rent.

Property Income Distributions (PID) – profits from property related business distributed to Shareholders which are subject to tax in the hands of the Shareholders as property income. PIDs are normally paid net of withholding tax, currently at 20%, which the REIT pays to the tax authorities on behalf of the Shareholder. Certain types of Shareholder (i.e., pension funds) are tax exempt and receive PIDs without withholding tax. Property companies also pay out normal dividends, called non-PIDs, which are treated as not subject to withholding tax.

Prospectus – the Company's prospectus.

REIT – a qualifying entity which has elected to be treated as Real Estate Investment Trust for tax purposes. In the UK such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investments activities and must meet certain ongoing qualifications as set out under section 705 E of the Finance Act 2013.

Rent Review – periodic review of rent during the term of a lease, as provided for within a lease agreement.

Rent Roll – is the contracted gross property rent receivable which becomes payable after tenant incentives in the letting have expired.

Reversion – expected increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV. The increases to rent arise on rent reviews and lettings.

Reversionary Yield – anticipated yield, excluding lease expiry, to which the Net Initial Yield will rise (or fall) once the rent reaches the Estimated Rental Value. $\text{ERV} / \text{Investment Properties Value}$ expressed as a percentage.

Shares – ordinary shares issued by the Company.

Shareholder – a holder of Shares in the Company.

SIPP – Self-invested personal pension.

SONIA – Sterling Overnight Index Average

SSAS – Small self-administered scheme.

Total shareholder return – The movement in the share price, plus the dividend distributions received and reinvested in the period, expressed as percentage of the share price at the beginning of the period.

Triple Net Initial Yield (NNNIY) – $(\text{Annualised current passing rent net of property related taxes, building insurance, and maintenance costs (the three "nets")}) / (\text{Investment Properties Value})$.

Weighted Average Unexpired Lease Term (WAULT) – is the average lease term remaining to first break, or expiry, across the portfolio weighted by rental income (including rent-free).

Weighted Average Debt to Maturity (WAD) – each tranche of Group debt is multiplied by the remaining period to its maturity and the result is divided by total Group debt in issue at the period end.

Weighted Average Effective Interest Rate – the Group's loan interest and hedging derivative costs per annum divided by total Group debt in issue at the period end.

Weighted Average Cost of Debt (WACD) – Group borrowings interest and net derivative costs per annum at the period end, divided by total Group debt in issue at the period end.

Weighted Average Debt Duration (WADD) – is calculated by multiplying each tranche of Group debt by the remaining period to its maturity, with the sum of the results being divided by total Group debt in issue at the period end.

Yield Compression – occurs when the net equivalent yield of a property decreases, measured in basis points.

COMPANY INFORMATION

DIRECTORS

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

REGISTERED OFFICE

[Regional REIT Limited](#)

Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey
GY2 4LH

COMPANY SECRETARY

[Link Company Matters Limited](#)

Beaufort House
51 New North Road
Exeter
Devon
EX4 4EP

ASSET MANAGER

[London & Scottish Property Investment Management Limited](#)

Venlaw
349 Bath Street
Glasgow
G2 4AA

INVESTMENT MANAGER

[Toscafund Asset Management LLP](#)

5th Floor
15 Marylebone Road
London
NW1 5JD

FINANCIAL ADVISER AND JOINT BROKER

[Peel Hunt LLP](#)

7th Floor
100 Liverpool Street
London
EC2M 2AT

JOINT BROKER

[Panmure Gordon](#)

1 New Change
London
EC4M 9AF

LEGAL ADVISER TO THE COMPANY

[Macfarlanes LLP](#)

20 Cursitor Street
London
EC4A 1LT

ADMINISTRATOR

[Jupiter Fund Services Limited](#)

Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey
GY2 4LH

SUB-ADMINISTRATOR

[Link Alternative Fund Administrators Limited](#)

Beaufort House
51 New North Road
Exeter
Devon
EX4 4EP

INDEPENDENT AUDITOR

[RSM UK Audit LLP](#)

Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

REGISTRAR

[Link Market Services \(Guernsey\) Limited](#)

10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

DEPOSITARY

[Ocorian Depositary \(UK\) Limited](#)

20 Fenchurch Street
London
EC3M 3BY

PUBLIC RELATIONS

[Buchanan Communications Limited](#)

107 Cheapside
London
EC2V 6DN

PROPERTY VALUERS

[Cushman & Wakefield Debenham](#)

[Tie Leung Limited \(trading as Cushman & Wakefield\)](#)

125 Old Broad Street
London
EC2N 1AR

TAX ADVISER

[Grant Thornton UK LLP](#)

110 Queen Street
Glasgow
G1 3BX

REGIONAL REIT LIMITED

ISIN:

GG00BYV2ZQ34

SEDOL:

BYV2ZQ3

Legal Entity Identifier:

549300D8G4NKLRIKBX73

Company website

www.regionalreit.com

FORTHCOMING EVENTS



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

SHAREHOLDER INFORMATION

SHARE REGISTER ENQUIRIES: LINK GROUP

For any questions about:

- Changing your address or other details;
- Questions about your shares;
- Buying and selling shares.

Phone: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Registrar is open between 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales. For Shareholder enquiries please email enquiries@linkgroup.co.uk.

POSTAL ADDRESS

Link Group
Shareholder Services
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

ELECTRONIC COMMUNICATIONS FROM THE COMPANY

Shareholders now have the opportunity to be notified by email when the Company's annual reports, interim reports and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company. If you have not already elected to receive electronic communications from the Company and wish to do so, visit www.signalshares.com. To register, you will need your investor code, which can be found on your share certificate.

Alternatively, you can contact Link's Customer Support Centre, which is available to answer any queries you have in relation to your shareholding:

By phone: call +44 (0) 371 664 0300. Calls from outside the UK will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

By email: enquiries@linkgroup.co.uk

By post: **Link Group**
Shareholder Services
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL



Mont Crevelt House, Bulwer Avenue,
St. Sampson, Guernsey GY2 4LH

www.regionalreit.com
