

HALF YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2022



THE HIGH DIVIDEND REIT
UK OFFICE SPECIALISTS



WHAT IS A REIT?

A real estate investment trust ("REIT") is a specialist tax-efficient investment vehicle built around real property assets, specifically property rental/letting activities. REITs are quoted companies, or groups of companies, that own and manage property with the aim of generating a rental income and possible capital growth over the long term. The rental income, after costs, is paid to Shareholders as a dividend distribution so that, over time, dividends will represent a significant proportion of the Shareholders' total return. REITs are a well-established and globally recognised holding structure for property assets.

UK REITs are exempt from UK corporation tax on profits and gains of their qualifying property rental business. However, in consequence, UK REITs are required to distribute a minimum of 90% of their qualifying profits to Shareholders as dividends (known as property income distributions or "PIDs"). As Shareholders receive higher pay-outs than they would if the REIT were subject to UK corporation tax on its property profits and gains, Shareholders are thus required to pay tax on the PIDs. The effect, in general terms, is that taxation is moved from the REIT to the investor and the investor is then liable for taxation as if they owned the property directly.

Regional REIT and its subsidiaries are a UK REIT group under UK tax legislation, having elected to enter the REIT regime with effect from 7 November 2015. Remaining in the regime is subject to meeting various conditions imposed by legislation.

ISA, SSAS and SIPP Status

The Company's Shares should be eligible to be held in an Individual Savings Account ("ISA").

Subject to the rules of the trustees of the relevant scheme, the Ordinary Shares should generally be eligible for inclusion in a small self-administered scheme ("SSAS") or self-invested personal pension ("SIPP") provided: (a) no member of the SSAS or SIPP (or person connected with such a member) occupies or uses any residential property held by the Group; and (b) the SSAS or SIPP, alone or together with one or more associated persons, does not directly or indirectly hold 10% or more of any of the Ordinary Shares, voting rights in the Company, rights to income of the Company, rights to amounts on a distribution of the Company or rights to assets on a winding up of the Company.

HIGH DIVIDEND DISTRIBUTION UK REIT, OFFERING EXPOSURE TO THE REGIONAL COMMERCIAL OFFICE PROPERTY MARKET, WITH ACTIVE MANAGEMENT BY AN EXPERIENCED ASSET MANAGER.

ABOUT US

Regional REIT Limited ("Regional REIT" or the "Company") and its subsidiaries¹ (the "Group") is a United Kingdom ("UK") based real estate investment trust that launched in November 2015. It is managed by London & Scottish Property Investment Management Limited, the Asset Manager, and Toscafund Asset Management LLP ("Toscafund"), the Investment Manager (together the "Managers").

Regional REIT's commercial property portfolio is comprised primarily of UK office assets located in regional centres predominately outside of the M25 motorway. The portfolio is geographically diversified, with 159 properties, 1,517 units and 1,086 tenants as at 30 June 2022, with a valuation of £918.2 million.

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

For more information, visit the Group's website:

www.regionalreit.com.

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 adopted by the United Kingdom ("UK"). Unless otherwise stated, the text of this Annual Report does not distinguish between the activities of the Company and those of its subsidiaries.



Our Purpose

The purpose of the Company is to deliver long-term returns for Shareholders with income generated from investment in UK offices predominately outside of the M25 motorway. To us this means being a responsible owner of offices that offer occupiers vibrant spaces in which they can grow their businesses.



Our Values

- **Transparency**
We are professional, transparent and committed to doing what is best for all parties.
- **Integrity**
We act with integrity and honesty in all that we do. We will be truthful, even if it means delivering difficult messages.
- **Collaboration**
We openly collaborate and always seek to build positive long-term relationships grounded in cooperation that benefit all parties.
- **Adapt and evolve**
We are a forward-thinking business that seeks to continually advance strategically, challenge assumptions, adapt and make a positive difference that benefits all parties.



Our Culture

As the Company has no employees and acts through its service providers, its culture is represented by the Company's values and behaviour of the Board in its engagement with the third parties to which it delegates functions and its stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations.

For more details on the Company's values, culture and strategy, please refer to pages 20 and 82 of the 2021 Annual Report.


CONTENTS

Financial Highlights	1
Chairman's Statement	3
Asset and Investment Managers' Report	8
Directors' Statement of Principal Risks and Uncertainties	27
Interim Management Report and Directors' Responsibility Statement	28
Condensed Consolidated Statement of Comprehensive Income	29
Condensed Consolidated Statement of Financial Position	30
Condensed Consolidated Statement of Changes in Equity	31
Condensed Consolidated Statement of Cash Flows	32
Notes to the Consolidated Financial Statements	33
EPRA Performance Measures	50
Notes to the Calculation of EPRA Performance Measures	51
Property Related Capital Expenditure Analysis	54
Glossary of Terms	55
Company Information	58
Forthcoming Events and Shareholder Information	59

FINANCIAL HIGHLIGHTS

PERIOD ENDED 30 JUNE 2022

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


	Portfolio Valuation	£918.2m (31 December 2021: £906.1m)
	IFRS NAV per Share	99.5p (31 December 2021: 97.4p)
	EPRA* NTA per Share	97.1p (31 December 2021: 97.2p)
	EPRA* earnings per Share	2.9p (30 June 2021: 3.0p)
	Dividend per Share	3.3p (30 June 2021: 3.2p)
	Net Loan to Value Ratio**	43.2% (31 December 2021: 42.4%)
	Weighted Average Cost of Debt**	3.5% (31 December 2021: 3.3%)
	Weighted Average Debt Duration**	5.0 yrs (31 December 2021: 5.5 yrs)

The European Public Real Estate Association ("EPRA")*

The EPRA's mission is to promote, develop and represent the European public real estate sector. As an EPRA member, we fully support the EPRA Best Practices Recommendations. Specific EPRA metrics can be found in the Company's financial and operational highlights, with further disclosures and supporting calculations on page 50.

* The European Public Real Estate Association (EPRA)

** Alternative Performance Measures. Details are provided in the Glossary of Terms on pages 166 to 168 and the EPRA Performance Measures on pages 50 to 54.

A photograph of a modern office interior. The ceiling is made of light-colored wood panels with recessed circular lights. In the foreground, there are white square tables and light-colored chairs. Behind them are grey cubicles with wooden side panels. In the background, there are glass-walled meeting rooms, one of which has a sign that says "PACE". There are also some plants and office supplies visible on the cubicle tops.

“GOOD PROGRESS HAS BEEN MADE IN AN ACTIVE PERIOD, DELIVERING UPON OUR STRATEGIC OBJECTIVES AND TO SET THE CONDITIONS FOR CAPITAL GROWTH OVER THE LONG TERM FOR OUR SHAREHOLDERS, WHILST MAINTAINING THE HIGH DIVIDEND.”

Kevin McGrath

Chairman



CHAIRMAN'S STATEMENT

The Chairman's Statement covers the period ended 30 June 2022.

Overview

Following an active six months to 30 June 2022, I am pleased to report the Group has performed well in navigating the unfolding economic and geopolitical challenges, including those left in the wake of the pandemic-related disruptions.

We have continued to drive forward our asset management focused strategy for creating value as the regional office specialist with the disposal of non-core assets amounting to £71.4 million (net of costs), at a net initial yield of 5.5%. The proceeds were promptly recycled into acquiring higher yielding properties of enhanced quality, amounting to £78.9 million after costs and reflecting net initial yields of 8.4%. Timely capital recycling continues to underpin our defensive strategy of focusing upon opportunities to de-risk our offering both by geographical and tenant spread.

Whilst the plethora of Covid-19 related restrictions and guidance issued by the respective devolved United Kingdom Government bodies slowly dissipated over the period, rent collection remained strong throughout. Currently, rent collection for the period to 30 June 2022 amounted to 98.7%* (equivalent date for the six months to 30 June 2021: 96.4%) and resulted in EPRA earnings of 2.9 pence per share ("pps") (six months to 30 June 2021: 3.0pps).

IFRS diluted earnings per share were 5.5pps (six months to 30 June 2021: 4.2pps).

* As at 8 September 2022, rent collections to 30 June 2022 amounted to 98.7%; actual rent collected 98.5%, monthly rents 0.2% and deals agreed of 0.0%.

** Alternative Performance Measures. Details are provided in the Glossary of Terms on pages 55 to 57 and the EPRA Performance Measures on pages 50 to 54.

CHAIRMAN'S STATEMENT CONTINUED



**£918.2 million
Portfolio Valuation**



3.3pps H1 2022 Dividend

Financial Resources

The Group continues to be in a financially strong position with an EPRA NTA of £500.5 million (31 December 2021: £501.4 million) and a cash balance of £46.2 million as at 30 June 2022 (31 December 2021: £56.1m), of which £43.2 million is unrestricted (31 December 2021: £49.9m).

One of the Company's most notable features in the current rising rate environment is its long term strategy of adopting defensive debt positioning with the ambition of mitigating any volatility in rates. The Company's current borrowings comprise 56.7% of fixed rate debt, with the balance being swapped or capped. This proactive and defensive approach has ensured the weighted average cost of debt increased only marginally to 3.5% at 30 June 2022 from 3.3% at 31 December 2021.

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

Following this active period of capital recycling, the net borrowings at 30 June 2022 amounted to 43.2% (31 December 2021: 42.4%). The programme of asset management initiatives continued to be executed to ensure the net borrowing reverts to our long-term target of c. 40%. Our debt facilities have sufficient headroom against their respective covenants, and the Company is in a robust position.



Market Environment

The UK regions outside of London attracted £5.2 billion of commercial property investment in Q2 2022, 8.4% above the five-year quarterly average, and up 2.9% from the previous quarter. Investment in Q2 brought the H1 2022 total to £10.3 billion, the highest figure recorded since H1 2018, and 4.4% above the same period in 2021. Research by Lambert Smith Hampton (“LSH”) highlights the importance of the regional markets, with the regions outperforming when compared with London. At £5.2 billion, investment in single assets across the UK regional markets in Q2 2022 was 32.0% higher than the level of investment in Greater London – the largest margin recorded in over 10 years. Two regions that experienced robust levels of investment in Q2 2022 were the West Midlands and the North East. Total investment in the West Midlands reached £1.0 billion, 79.1% above the five-year quarterly average – the strongest regional performance relative to trend. Data from LSH shows that £222 million was invested in the North East, 63.6% above the five-year quarterly average. Other regional markets that performed well relative to trend include Scotland and the South East of England.

Investment in the UK commercial property market totalled £56.9 billion in 2021, according to research from LSH. This has been followed by a rise in investment activity during the first half of 2022. The most recent data from LSH shows that investment in UK commercial property reached £32.4 billion in the first half of 2022, up 26.2% from H1 2021 figures, and

30.1% above the five-year average. However, it is worth noting that despite strong overall H1 2022 investment volumes relative to trend, there has been a progressive monthly slowdown in the general level of investment activity during the first half of 2022. This can largely be attributed to global economic headwinds, an increasingly inflationary environment, and tightening of monetary policy. The combination of these factors led to investor uncertainty and delayed decision making. Investment slowed in Q2 2022 with £15.7 billion transacted during the quarter falling 5.9% below the £16.7 billion recorded in Q1 2022. Although Q2 2022 volumes remained 14.9% above the five-year quarterly average, monthly performance throughout the quarter varied considerably. May volumes reached £9.0 billion compared with £2.2 billion in June 2022.

Portfolio and Enhancing Asset Quality

During the period, the overall value of the portfolio increased by £12.1 million to £918.2 million from £906.1 million as at 31 December 2021. Market conditions continue to present opportunities with the aforementioned disposals and acquisitions adding a net £1.9 million to the rent roll. The assets acquired are located in areas identified as regional growth areas and enhance the quality of the portfolio.

The rolling capital expenditure programme by the Asset Manager amounted to £3.1 million.

Cromwell Place, Basingstoke



CHAIRMAN'S STATEMENT CONTINUED

Dividends

Over the period under review, the Company declared total dividends of 3.3pps (six months to 30 June 2021: 3.20pps), comprising two quarterly dividends of 1.65pps. Since inception, the Company has declared dividends amounting to 49.0pps.

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

Performance

For the period under review, the Company's Total Shareholder Return was -19.9%, versus the return of -19.1% for the FTSE EPRA NAREIT UK Total Return Index over the same period.

Since Listing on 6 November 2015, the Company's EPRA Total Return was 44.4% and the annualised EPRA Total Return was 5.7%. The Total Shareholder Return was 18.2%, compared with the FTSE EPRA NAREIT UK Total Return Index, which has generated a return of -1.4% over the same period.

Management Agreements

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

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

Sustainability

We have continued to devote significant resources to further integrate sustainability within our business model, which include the appointment of a non-executive Director to focus on environmental, social, and governance ("ESG") matters; we continue to be a member of Global Real Estate Sustainability Benchmark. Post the period end, the Company joined the UK Green Building Council.

The Asset Manager has benefited from training on sustainability matters provided by external consultants.

Board and Governance

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

Outlook

The Board is pleased with the strategic progress that our business has achieved over the period with increased focus upon the office sector of the portfolio and the continued exit from the other property sectors. With the robust level of rent collections, the geographical diversification of the portfolio and the strong finances, the Company is well positioned to meet the challenges and take the opportunities that will inevitably arise in the coming years.

Though we remain mindful of the current macroeconomic challenges to be faced, the Company is confident of maintaining high rent collections and accelerating the momentum of the asset management initiatives for the remainder of 2022. The Board believes this will result in the continued de-risking of the portfolio, whilst continuing to deliver income and long-term total returns for our shareholders.

Kevin McGrath

Chairman

14 September 2022



ONE NORTH BANK




SHEFFIELD





ASSET AND INVESTMENT MANAGERS' REPORT

"Regional REIT has again achieved a robust operational and financial performance despite the turbulence within the UK economy, and as the pandemic measures have been lifted across the country, we have continued to benefit from serious enquiries and an increasing level of occupation throughout the estate. Across the portfolio, approximately 98.7% of all our tenants are now back in occupation in some form, be it full time or hybrid, with the 14 tenants who have not returned to date, indicating that they intend to return shortly.

The easing of pandemic restrictions saw the normalisation of rental collections with 98.7%* collected for the six months to 30 June 2022, supporting our high dividend payments.

In the period, capital continues to be recycled from non-core assets and properties where asset management plans have been completed, to secure a net initial yield enhancement of some 290bps between sales and acquisitions. The acquired high quality properties also present additional attractive asset management opportunities to further drive shareholder value over the medium term.

Although inflation, the energy crisis and political change cast a shadow over the economy, our historic and continued focus upon mitigating risk wherever possible, has resulted in the group debt profile being 100% fixed, hedged or capped. Therefore, should interest rates move even higher as many predict, the weighted average cost of current borrowing will not exceed 3.5%.

With the experience and expertise across the platform, underpinned by our defensive positioning throughout the portfolio, I am confident of navigating the wider macro challenges facing the economy.

During the first half of 2022, the Company witnessed improved occupational demand for its accommodation and completed 47 new lettings, totalling 145,656 sq. ft.. When fully occupied, these lettings will provide an additional gross rental income of c. £2.6m pa. Q3 to date also looks encouraging.

We remain focussed on income and delivering on our commitment to our investors to pay a high level of dividend every quarter."

Stephen Inglis

CEO of London & Scottish Property Investment Management,
Asset Manager

*As at 8 September 2022, rent collections to 30 June 2022 amounted to 98.7%, actual rent collected 98.5%, monthly rents 0.2% and deals agreed of 0.0%.





ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

Investment Activity in the UK Commercial Property Market

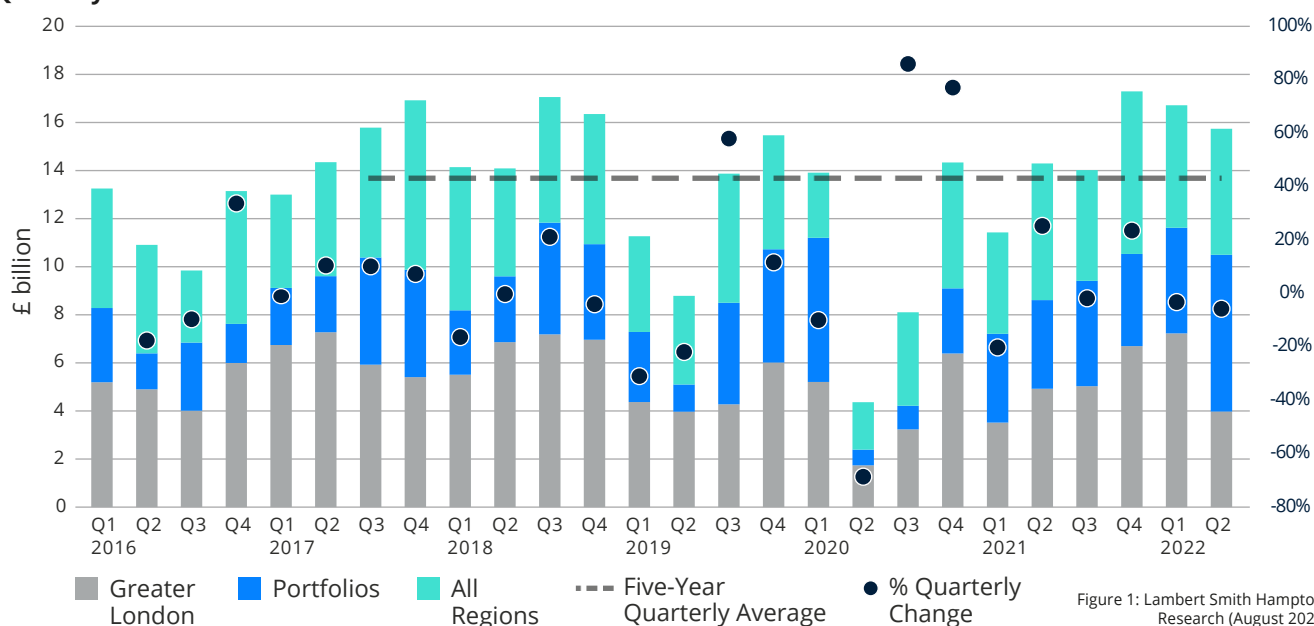
Investment in the UK commercial property market totalled £56.9 billion in 2021, according to research from Lambert Smith Hampton ("LSH")¹. This was followed by a rise in investment activity during the first half of 2022. The most recent data from LSH shows that investment in UK commercial property reached £32.4 billion in the first half of 2022, up 26.2% from H1 2021 figures, and 30.1% above the five-year average. However, it is worth noting that despite strong overall H1 2022 investment volumes relative to trend, there has been a progressive monthly slowdown in the general level of investment activity during H1 2022. This can largely be attributed to global economic headwinds, an increasingly inflationary environment and tightening of monetary policy. The combination of these factors has led to investor uncertainty and delayed decision making. Investment slowed in Q2 2022 with £15.7 billion transacted during the quarter, falling 5.9% below the £16.7 billion recorded in Q1 2022. Although Q2 2022 volumes remained 14.9% above the five-year quarterly average, monthly performance throughout the quarter varied considerably – May volumes reached £9.0 billion compared with £2.2 billion in June 2021.

The UK regions outside of London attracted £5.2 billion in Q2 2022, 8.4% above the five-year quarterly average, and up 2.9% from the previous quarter. Investment in Q2 brought the H1 2022 total to £10.3 billion, the highest figure recorded since H1 2018, and 4.4% above the same period in 2021. Research by LSH highlights the importance of the regional markets, with the regions outperforming when compared to London. At £5.2 billion, investment in single assets across the UK regional markets in Q2 2022 was 32.0% higher than the level of investment in Greater London – the largest margin recorded in over 10 years.

Two regions that experienced particularly robust levels of investment in Q2 2022 were the West Midlands and the North East. Total investment in the West Midlands reached £1.0 billion, 79.1% above the five-year quarterly average – the strongest regional performance relative to trend. Data from LSH shows that £222 million was invested in the North East, 63.6% above the five-year quarterly average. Other regional markets that performed well relative to trend included Scotland and the South East of England.

As office occupancy increased throughout the UK regions (outside of South East England), investor sentiment for regional office stock also improved. Stronger investor sentiment underpinned a rise in investment volumes, which reached £1.2 billion in Q2 2022 – the highest volume recorded since Q4 2018. The regional office market was one of the strongest performing sectors relative to trend in Q2 2022 with investment up 59.4% compared to the five-year average. Overall, investment in regional offices reached £1.53 billion in H1 2022, marking a four-year high. Additionally, the MSCI monthly index highlights that yield compression continued in the second quarter of 2022, with the strongest movements recorded for offices outside of Central London and retail warehouses. Optimism in the regional office market continues to be supported by strong employment growth. The most recent data from the ONS shows that the UK employment rate rose to 75.5% in the three months to June 2022, up from 75.0% for the same period in 2021². Additionally, data from the ONS shows that despite the rise in hybrid working as a result of Covid-19, the vast majority of people do not work from home, with only 14% of workers reporting that they worked exclusively from home, down from 26% in mid-January 2022³.

Quarterly Investment Volumes



¹ LSH, UKIT, Q2 2022, August 2022

² ONS, Labour Market Overview, UK, August 2022

³ ONS, Opinions and Lifestyle Survey, May 2022

Q2 2022 Volumes vs Five-Year Average (%)

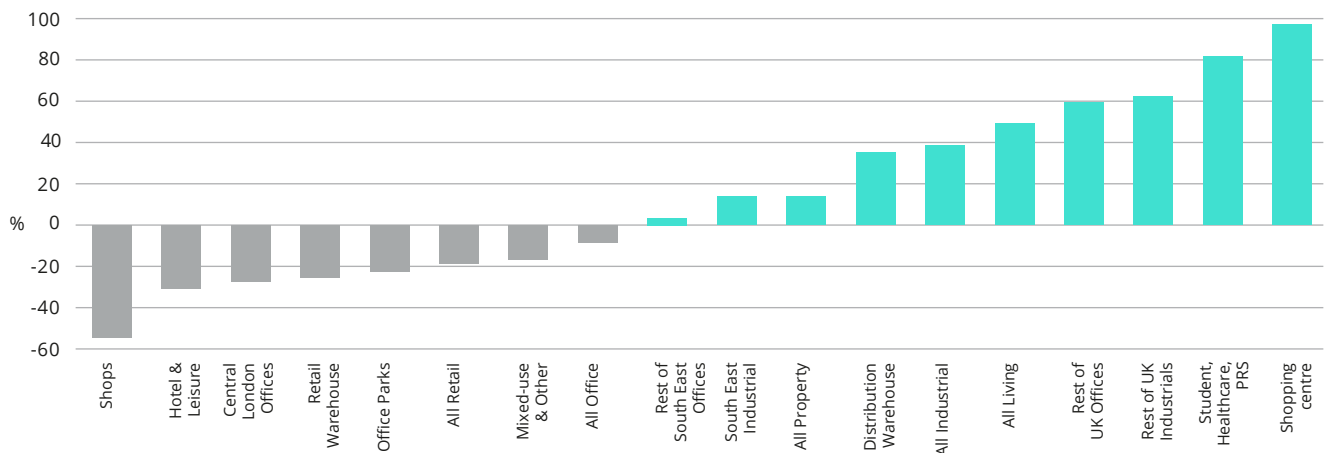


Figure 2: Lambert Smith Hampton Research (August 2022)

Overseas investment in the UK commercial property market accounted for 57.6% of total investment in Q2 2022. Figures indicate that overseas investment reached £9.1 billion in Q2 2022, 33.7% above the five-year quarterly average. Strong international investment in the second quarter of the year brought the H1 2022 total to £17.5 billion, 24.3% above the same period last year, and 78.7% higher than the pre-pandemic level recorded in H1 2019. However, overseas investment was largely supported by the acquisition of the Student Roost portfolio, which accounted for approximately 36% of all overseas investment. LSH research suggests that Far East investors were the most acquisitive net buyers at £4.6 billion. Conversely, North American investors were net sellers at £1.9 billion in Q2 2022.

Research from CBRE⁴ indicates that regional offices have outperformed in comparison to central London offices, delivering superior income returns of 5.3% in the 12 months ending June 2022 in comparison to central London office returns of 3.4%, a trend that has been witnessed over the last seven years.

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

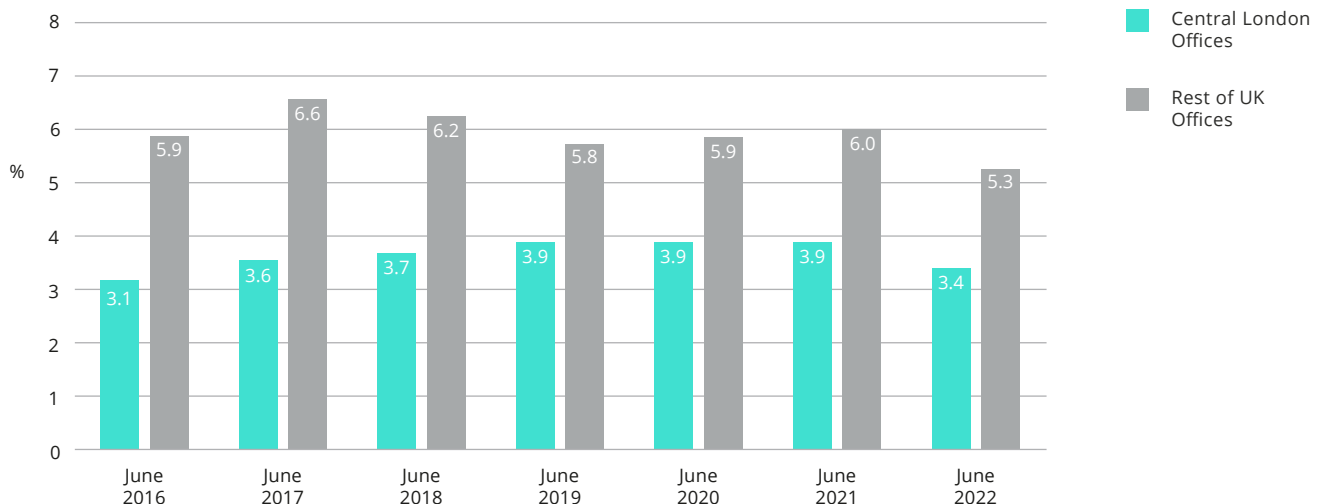


Figure 2: CBRE (February 2022)

4 CBRE Monthly Index, Q2 2022

ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

Occupational Demand in the UK Regional Office Market

Avison Young estimate that take-up of office space across the nine regional markets⁵ reached 1.8 million sq. ft. in Q2 2022, bringing the half year total to 3.7 million sq. ft. – 18.0% above the same period in 2021. City centre activity accounted for the largest proportion of take-up (58.6%) in H1 2022 at 2.1 million sq. ft., however, when comparing this to previous years, city centre take-up as a proportion of total take-up has steadily declined from a high of 63.8% in 2019. In the first half of 2022 approximately 1.5 million sq. ft. was transacted in the out of town market, 3.9% above the five year average, and accounting for 41.4% of total H1 2022 take-up, the highest proportion recorded over the last decade⁶. The Asset Manager believes that, although there is scope for take-up to continue to increase throughout the remainder of 2022, take-up figures in the first half of the year when compared to 2021 provide a clear indication of recovery in the regional office market following the Covid-19 pandemic.

Occupational demand in the regional office markets continued to be driven by the technology, media & telecoms sector, which accounted for the highest proportion of

take-up at 21.8% in the first six months of 2022. Moreover, the professional services sector, and public services, education & health sector accounted for the second and third largest proportion of take-up in the regional cities, accounting for 18.4% and 14.7%, respectively⁷.

According to Savills, there was a marginal fall in availability for regional office stock across ten regional UK markets⁸, with total availability falling by 1.2% in 2022 to 14.6 million sq. ft. Despite the uptick in availability in 2020 and 2021, supply across the ten regional markets remains 7.6% below the long-term average. The recent fall in supply highlights a return to the trend witnessed prior to the Covid-19 pandemic, whereby availability gradually fell each year from 2009 to 2019. The overall vacancy rate for regional offices remained unchanged at 12.5% in 2022 and remains in line with the 10-year average⁹.

In terms of speculative development, it is estimated that approximately 4.7 million sq. ft. of office space is currently under construction in the Big Nine regional markets, with Glasgow, Bristol and Birmingham accounting for 34.8%, 15.1% and 13.0%, respectively. Approximately 51.9% of office buildings currently under construction are already pre-let.

Regional Supply: Annual Office Supply

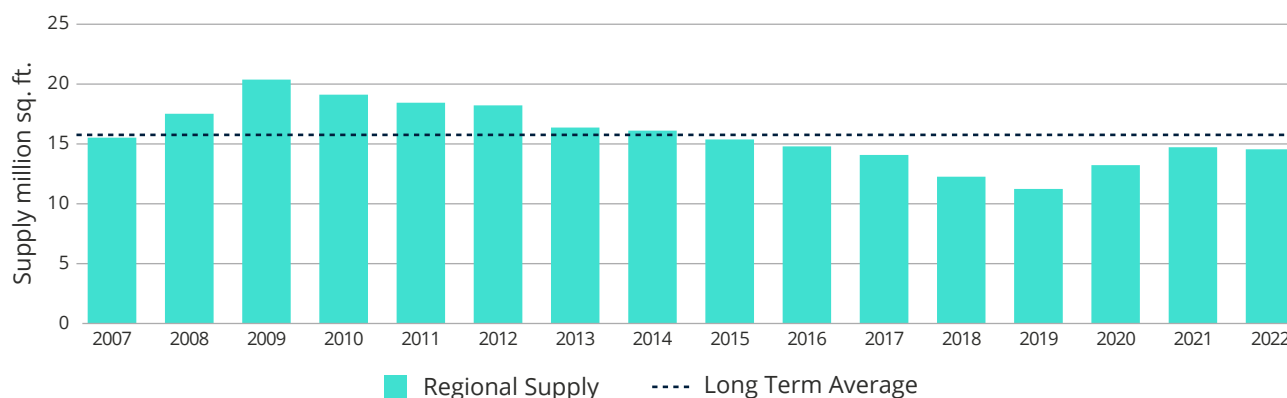


Figure 3: Savills (August 2022)

Vacancy Rates in the Regional Office Market

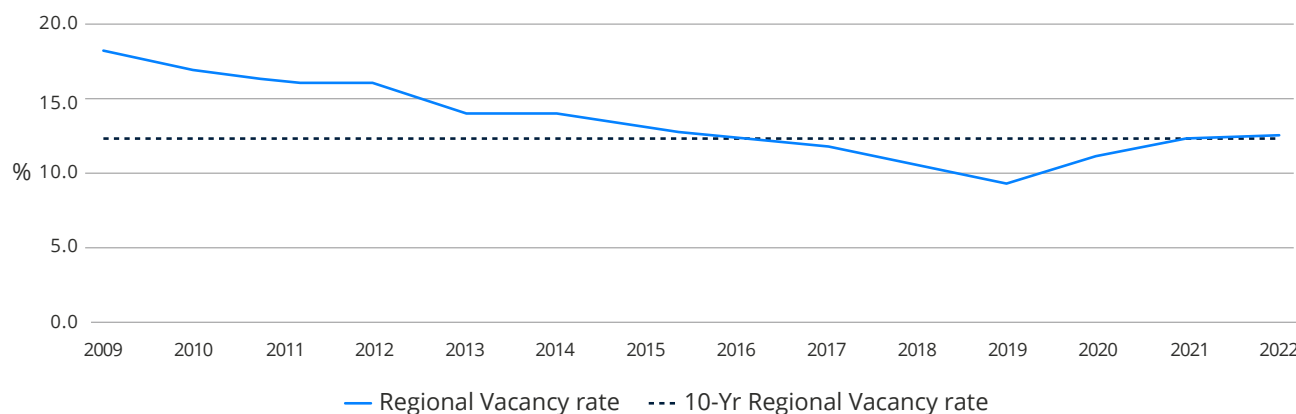


Figure 4: Savills (February 2022)

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

⁶ Avison Young, The Big Nine, Q2 2022

⁷ Savills, The Regional Office Market Review, Q2 2022

⁸ Ten regional office markets mentioned by Savills includes: Aberdeen, Birmingham, Bristol, Cambridge, Cardiff, Edinburgh, Glasgow, Leeds, Manchester and Oxford

⁹ Savills, MIM UK Commercial, July 2022

Rental Growth in the UK Regional Office Market

The CBRE Monthly Index shows that rental value growth held up better for the Rest of UK Office markets in the 12 months ended June 2022 with growth of 2.4%. Conversely, Central London Offices experienced modest growth of 0.9% over the same period. According to monthly data from MSCI, there is evidence of sustained rental growth in the majority of the regional office markets. By region, the strongest regional rental growth in June 2022 (year-on-year comparison) was recorded in Outer South East (+2.9%), East of England (+2.4%), Midlands (+2.4%), South West (+2.4%), and Wales (+2.4%)¹⁰. Colliers International expects rental growth to continue across most markets for the remainder of 2022. Demand for quality office space has put an upward pressure on rents, with growth of 4.3% recorded across the Big Nine regional markets in the first half of 2022, with average headline rents now sitting at £34.08 per sq. ft., according to research from Avison Young.

Regional REIT's Office Assets

EPRA occupancy of the Group's regional offices remained broadly in line at 83.3% (30 June 2021: 84.3%). A like-for-like comparison of the Group's regional offices EPRA occupancy, 30 June 2022 versus 30 June 2021, shows occupancy of 81.3% (30 June 2021: 86.2%).

WAULT to first break was 2.6 years (30 June 2021: 2.6 years); like-for-like WAULT to first break was 2.7 years (30 June 2021: 2.7 years).

Rental Value Growth (vs previous 12 months)



Figure 3: CBRE (July 2021)

ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

Property Portfolio

As at 30 June 2022, the Group's property portfolio was valued at £918.2 million (30 June 2021: £729.1 million; 31 December 2021: £906.1 million), with rent roll of £72.0 million (30 June 2021: £61.1 million; 31 December 2021: £72.1 million), and an EPRA occupancy rate of 83.8% (30 June 2021: 85.7%; 31 December 2021: 81.8%). On a like-for-like basis, 30 June 2022 versus 30 June 2021 EPRA occupancy was 82.1% (30 June 2021: 86.3%). Two properties in particular have had a relatively adverse impact on these numbers. Brennan House, Farnborough and Norfolk House, Birmingham account for almost 60% of the decrease in like-for-like occupancy over the last 12 months. Further details on these are below.

- Brennan House, Farnborough – following the completion of our latest refurbishment scheme the property is now available to let and subsequently released to the market and accordingly impacts on the EPRA analysis. It should be noted that the property is now under offer, in-line with the Group's business plan.

- Norfolk House, Birmingham – one of the larger occupiers at this multi-let property vacated at expiry. This was anticipated in our forecast. Our ongoing strategy is to undertake some light refurbishment work to the building reception to update to contemporary aesthetic, refurbish the recently vacated space along with improving the welfare facilities at the building and potentially reclad the exterior. There has been an encouraging level of interest in the Birmingham market. A number of viewings of the space have taken place and we are currently at an advanced stage of negotiating terms with an occupier for a large part of the void.

There were 159 properties (30 June 2021: 151; 31 December 2021: 168), in the portfolio, with 1,517 units (30 June 2021: 1,214; 31 December 2021: 1,511) and 1,086 tenants (30 June 2021: 847; 31 December 2021: 1,077). If the portfolio was fully occupied at Cushman & Wakefield's view of market rents, the rental income would be £94.1 million per annum (30 June 2021: £75.1 million; 31 December 2021: £94.6 million).

As at 30 June 2022, the EPRA net initial yield on the portfolio was 5.7% (30 June 2021: 6.7%; 31 December 2021: 5.7%), the equivalent yield was 8.6% (30 June 2021: 8.8%; 31 December 2021: 8.7%) and the reversionary yield was 9.2% (30 June 2021: 9.3%; 31 December 2021: 9.4%).

Property Portfolio by Sector as at 30 June 2022

Sector	Properties	Valuation (£m)	% by valuation	Sq. ft. (m)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capital rate (£psf)	Net initial (%)	Yield	
												Equivalent (%)	Reversionary (%)
Office	133	844.8	92.0	5.9	83.3	2.6	65.9	14.28	87.7	142.92	5.6	8.6	9.4
Industrial	4	28.5	3.1	0.4	85.2	6.4	1.9	5.27	2.2	67.99	5.7	5.1	7.3
Retail	19	32.4	3.5	0.3	93.4	4.3	3.2	10.50	3.2	96.15	7.8	8.6	9.2
Other	3	12.5	1.4	0.1	92.7	12.5	1.0	12.66	0.9	129.27	6.1	8.3	6.7
Total	159	918.2	100.0	6.8	83.8	2.9	72.0	13.44	94.1	135.75	5.7	8.6	9.2

Property Portfolio by Region as at 30 June 2022

Region	Properties	Valuation (£m)	% by valuation	Sq. ft. (m)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capital rate (£psf)	Net initial (%)	Yield	
												Equivalent (%)	Reversionary (%)
Scotland	39	155.2	16.9	1.3	83.3	3.5	12.7	13.29	17.9	116.08	4.6	9.4	10.4
South East	30	183.3	20.0	1.1	77.2	2.8	12.4	16.04	18.5	166.50	4.5	8.2	9.6
North East	24	145.7	15.9	1.1	87.8	2.7	11.6	12.55	14.3	135.88	6.6	8.6	8.9
Midlands	27	182.3	19.9	1.4	83.7	3.2	14.7	12.95	18.7	128.41	5.6	8.5	10.0
North West	19	123.6	13.5	0.9	80.0	2.4	9.7	12.80	12.9	133.21	6.3	9.0	9.7
South West	14	84.3	9.2	0.5	92.6	2.2	7.0	16.35	7.9	178.07	6.9	8.2	8.7
Wales	6	43.8	4.8	0.4	94.0	3.9	3.8	10.07	4.0	101.18	7.3	7.9	8.5
Total	159	918.2	100.0	6.8	83.8	2.9	72.0	13.44	94.1	135.75	5.7	8.6	9.2

Tables may not sum due to rounding

ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

Top 15 Investments (market value) as at 30 June 2022

Property	Sector	Anchor tenants	Market value (£m)	% of portfolio	Lettable area (Sq. Ft.)	EPRA Occupancy (%)	Annualised gross rent (£m)	% of gross rental income	WAULT to first break (years)
300 Bath Street, Glasgow	Office	University of Glasgow, Glasgow Tay House Centre Ltd, Fairhurst Group LLP	27.6	3.0	156,853	99.9	1.2	1.7	3.3
Buildings 2 & 3, Bear Brook Office Park, Aylesbury	Office	Utmost Life and Pensions Ltd, Agria Pet Insurance Ltd	23.6	2.6	140,791	100.0	1.0	1.4	3.6
Eagle Court, Coventry Road, Birmingham	Office	Virgin Media Ltd, Rexel UK Ltd, Colehill Retail Ltd	22.5	2.5	132,979	84.1	2.0	2.8	1.1
Orbis 1, 2 & 3, Pride Park, Derby	Office	First Source Solutions UK Ltd, DHU Health Care C.I.C., Tentamus Pharma (UK) Ltd	19.5	2.1	121,883	100.0	1.8	2.5	4.9
800 Aztec West, Bristol	Office	NNB Generation Company (HPC) Ltd, Edvance SAS	19.4	2.1	73,292	100.0	1.5	2.1	1.9
Manchester Green, Manchester	Office	Chiesi Ltd, Ingredion UK Ltd, Assetz SME Capital Ltd	19.3	2.1	107,201	75.9	1.3	1.8	2.9
Hampshire Corporate Park, Eastleigh	Office	Aviva Central Services UK Ltd, Lloyd's Register EMEA, National Westminster Bank Plc	19.2	2.1	85,243	99.8	1.4	1.9	3.3
Beeston Business Park, Nottingham	Office/ Industrial	Metropolitan Housing Trust Ltd, SMS Electronics Ltd, Worldwide Clinical Trials Ltd, Heart Internet Ltd	18.9	2.1	215,330	100.0	1.8	2.5	4.9
Capitol Park, Leeds	Office	Hermes European Logistics Ltd, NHS Shared Business Services Ltd, BDW Trading Ltd	18.7	2.0	98,340	100.0	1.5	2.1	1.4
Norfolk House, Smallbrook Queensway, Birmingham	Office	Accenture (UK) Ltd, HP Asia Ltd	17.0	1.9	114,982	40.3	0.5	0.7	3.1
Linford Wood Business Park, Milton Keynes	Office	IMServ Europe Ltd, Market Force Information (Europe) Ltd, Autotech Recruit Ltd	16.8	1.8	107,352	96.7	1.6	2.2	2.2
Portland Street, Manchester	Office	Darwin Loan Solutions Ltd, Mott MacDonald Ltd, NCG (Manchester) Ltd	15.6	1.7	55,787	96.5	1.0	1.4	2.2
Templeton On The Green, Glasgow	Office	The Scottish Ministers, The Scottish Sports Council, Noah Beers Ltd	14.2	1.5	142,512	91.5	1.3	1.7	4.3
One & Two Newstead Court, Nottingham	Office	E.ON UK Plc	13.7	1.5	146,262	68.8	0.9	1.3	2.8
Ashby Park, Ashby De La Zouch	Office	Ceva Logistics Ltd, Brush Electrical Machines Ltd, Citron Hygiene UK Ltd	13.2	1.4	91,034	88.9	0.8	1.0	5.2
Total			278.9	30.4	1,789,841	89.2	19.5	27.1	3.1

Tables may not sum due to rounding

Top 15 Tenants (share of rental income) as at 30 June 2022

Tenant	Property	Sector	WAULT to first break (years)	Lettable area (Sq. Ft.)	Annualised gross rent (£m)	% of gross rental income
Virgin Media Ltd	Eagle Court, Coventry Road, Birmingham Southgate Park, Peterborough	Information and communication	1.5	107,830	1.7	2.4
The Scottish Ministers	Calton House, Edinburgh, Edinburgh Lightyear – Glasgow Airport, Glasgow Quadrant House, Dundee Templeton On The Green, Glasgow	Public sector	1.6	114,364	1.5	2.1
TUI Northern Europe Ltd	Columbus House, Coventry	Professional, scientific and technical activities	1.5	53,253	1.4	1.9
NHS	Aspect House, Bennerley Road, Nottingham Capitol Park, Leeds Equinox North, Almondsbury, Park House, Bristol St James Court, Bristol, Bristol Wren House, Chelmsford	Public sector	2.0	97,486	1.2	1.6
Secretary of State for Communities & Local Government	1 Burgage Square, Merchant Square, Wakefield Albert Edward House, Preston Bennett House, Stoke-On-Trent Oakland House, Manchester Waterside Business Park, Swansea	Public sector	2.8	108,915	1.1	1.5
EDF Energy Ltd	Endeavour House, Sunderland	Electricity, gas, steam and air conditioning supply	1.2	77,565	1.0	1.4
First Source Solutions UK Ltd	Orbis 1, 2 & 3, Pride Park, Derby	Administrative and support service activities	4.8	62,433	1.0	1.4
E.ON UK Plc	Two Newstead Court, Nottingham	Electricity, gas, steam and air conditioning supply	2.8	99,142	0.9	1.3
John Menzies Plc	2 Lochside Avenue, Edinburgh	Professional, scientific and technical activities	1.1	43,780	0.9	1.2
NNB Generation Company (HPC) Ltd	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	1.7	41,743	0.9	1.2
SPD Development Co Ltd	Clearblue Innovation Centre, Bedford	Professional, scientific and technical activities	3.3	58,167	0.8	1.1
Hermes European Logistics Ltd	Capitol Park, Leeds	Transportation and storage	1.5	37,372	0.8	1.1%
Aviva Central Services UK Ltd	Hampshire Corporate Park, Eastleigh	Other service activities	2.4	42,612	0.8	1.1%
Odeon Cinemas Ltd	Kingscourt Leisure Complex, Dundee	Information and communication	13.3	41,542	0.7	1.0
Edvance SAS	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	2.1	31,549	0.7	0.9
Total			2.6	1,017,753	15.4	21.4

Tables may not sum due to rounding

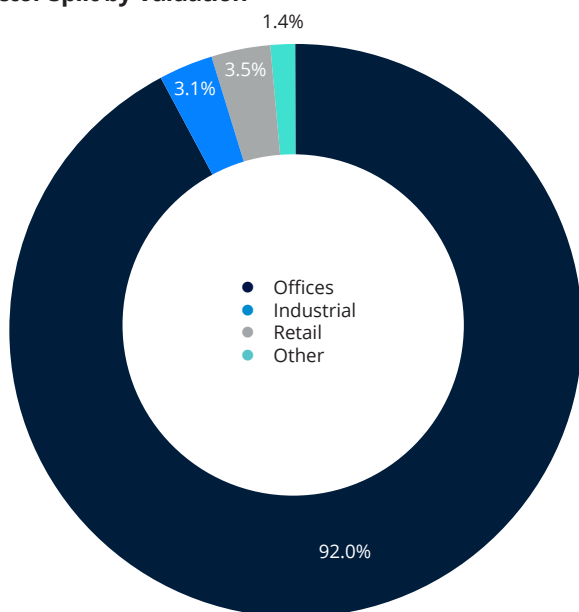


Property Portfolio Sector and Region Splits by Valuation and Income as at 30 June 2022

By Valuation

As at 30 June 2022, 92.0% (30 June 2021: 83.2%, 31 December 2021: 89.8%) of the portfolio by market value was offices and 3.1% (30 June 2021: 11.3%, 31 December 2021: 5.1%) was industrial. The balance was made up of retail, 3.5% (30 June 2021: 4.1%, 31 December 2021: 3.7%) and other, 1.4% (30 June 2021: 1.4%, 31 December 2021: 1.4%). By UK region, as at 30 June 2022, Scotland represented 16.9% (30 June 2021: 17.9%, 31 December 2021: 19.0%) of the portfolio and England 78.3% (30 June 2021: 77.7%, 31 December 2021: 75.7%) the balance of 4.8% (30 June 2021: 4.4%, 31 December 2021: 5.3%) was in Wales. In England, the largest regions were the South East, the Midlands and the North East.

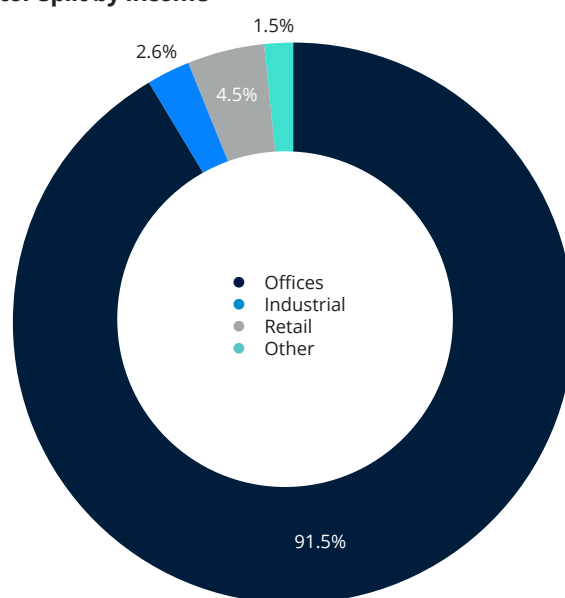
Sector Split by Valuation



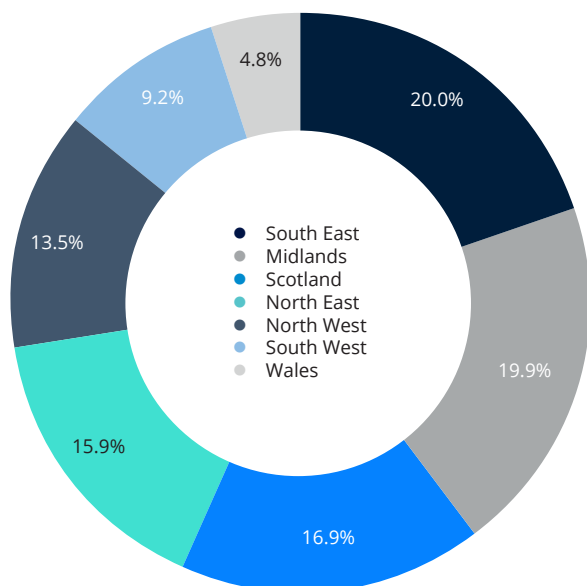
By Income

As at 30 June 2022, 91.5% (30 June 2021: 82.5%, 31 December 2021: 88.6%) of the portfolio by income was offices and 2.6% (30 June 2021: 9.8%, 31 December 2021: 4.5%) was industrial. The balance was made up of retail, 4.5% (30 June 2021: 6.3%, 31 December 2021: 5.4%), and other, 1.5% (30 June 2021: 1.4%, 31 December 2021: 1.4%). By UK region, as at 30 June 2022, Scotland represented 17.6% (30 June 2021: 20.5%, 31 December 2021: 21.6%) of the portfolio and England 77.1% (30 June 2021: 74.3%, 31 December 2021: 72.4%); the balance of 5.3% was in Wales (30 June 2021: 5.2%, 31 December 2021: 6.0%). In England, the largest regions were the Midlands, the South East and the North East.

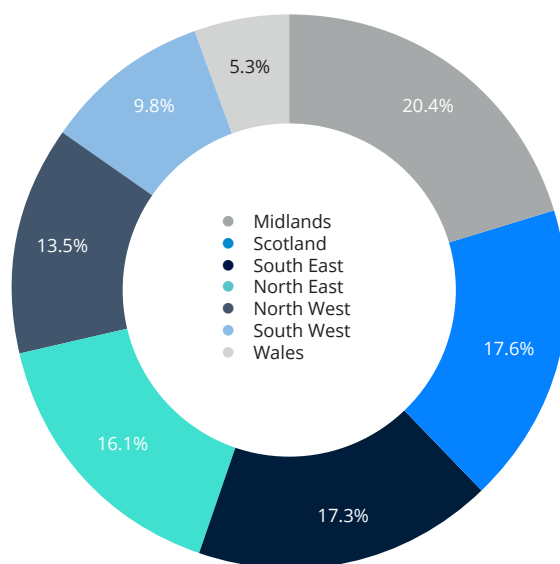
Sector Split by Income



Regional Split by Valuation



Regional Split by Income



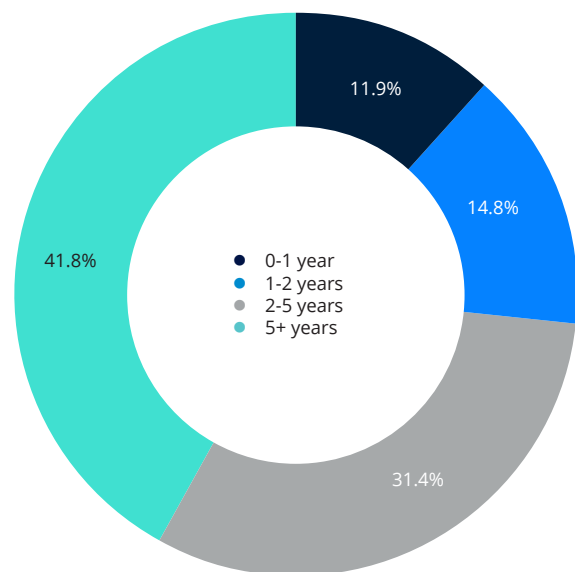
Source: LSPIM.
Charts may not sum due to rounding.

ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

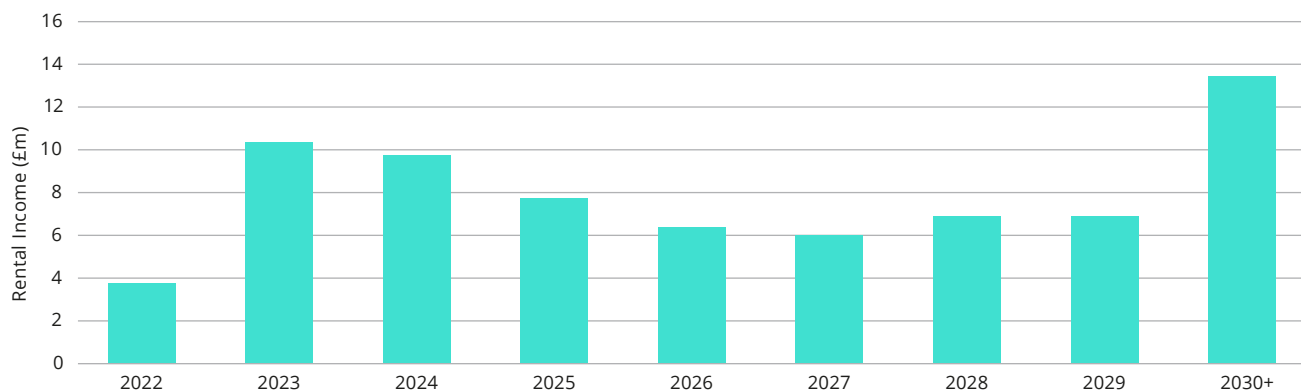
Lease Expiry Profile

The WAULT on the portfolio is 4.7 years (30 June 2021: 5.0; 31 December 2021: 4.8); WAULT to first break is 2.9 years (30 June 2021: 3.2; 31 December 2021: 3.0). As at 30 June 2022, 11.9% (30 June 2021: 14.6%; 31 December 2021: 11.5%) of income was from leases, which will expire within one year, 14.8% (30 June 2021: 10.1%; 31 December 2021: 13.8%) between one and two years, 31.4% (30 June 2021: 34.1%; 31 December 2021: 31.9%) between two and five years and 41.8% (30 June 2021: 41.2%; 31 December 2021: 42.8%) after five years.

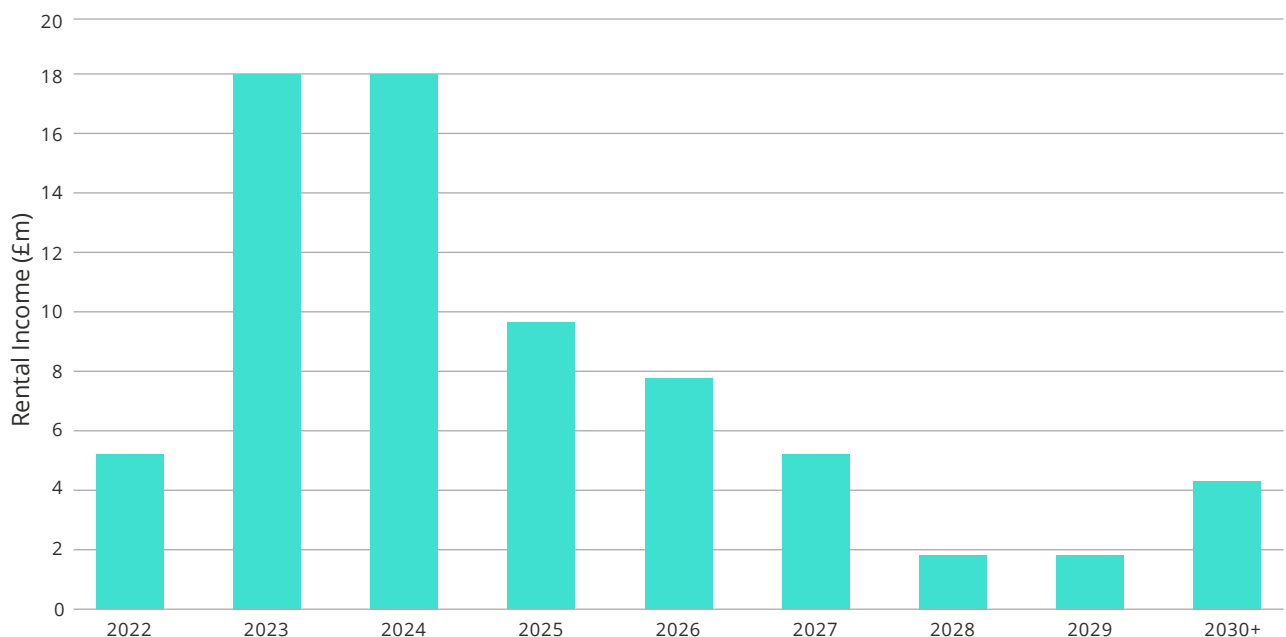
Lease Expiry Income Profile

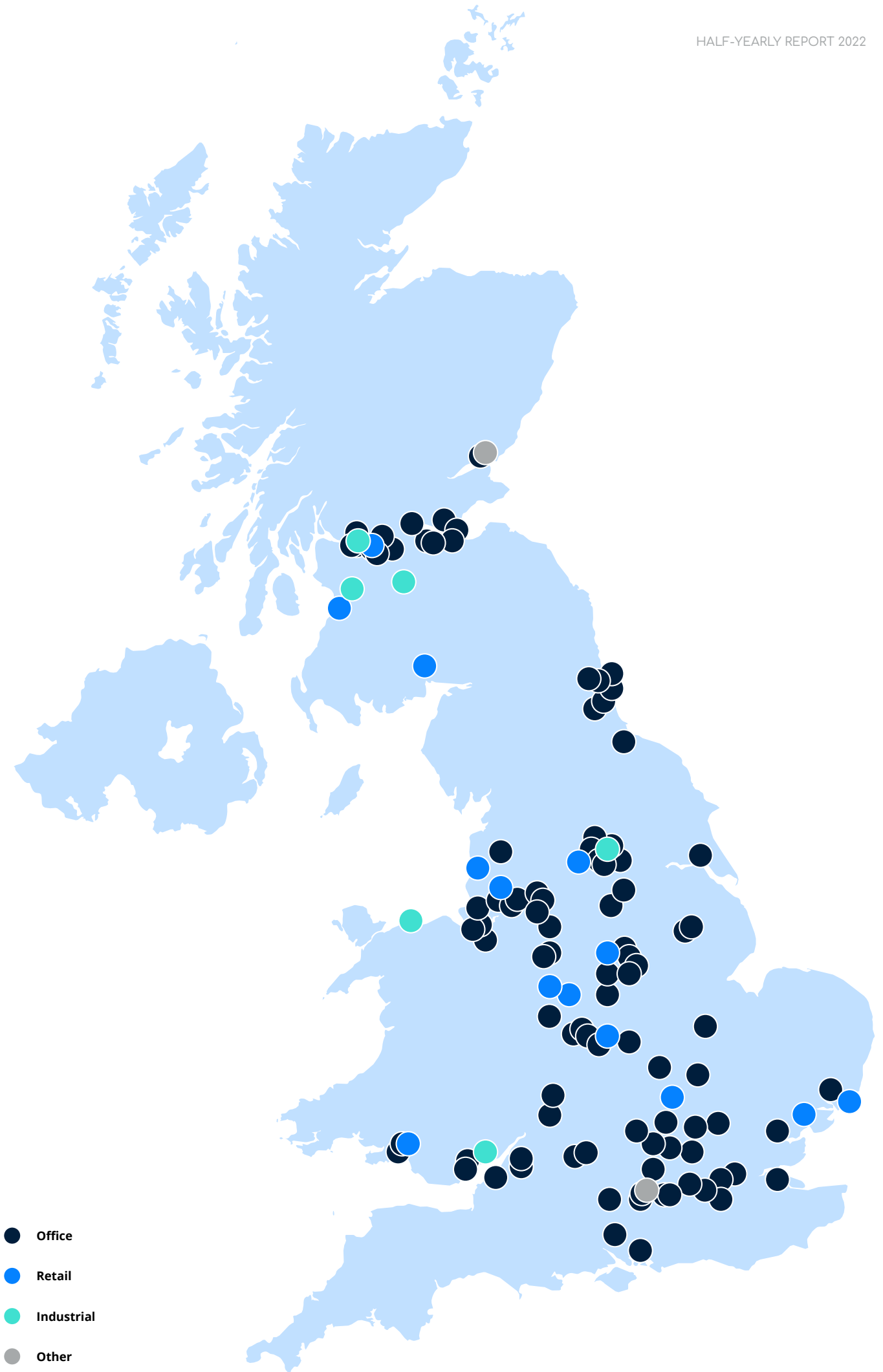


Lease Expiry Income Profile by year



Lease Expiry to First Break Income Profile by Year





ASSET AND INVESTMENT MANAGERS' REPORT
CONTINUED

Tenants by Standard Industrial Classification as at 30 June 2022

As at 30 June 2022, 14.5% of income was from tenants in the professional, scientific and technical activities sector (30 June 2021: 14.0%; 31 December 2021: 14.5%), 12.4% from the information and communication sector (30 June 2021: 8.7%; 31 December 2021: 11.4%), 11.6% from the administrative and support service activities sector (30 June 2021: 13.2%; 31 December 2021: 9.5%), 9.5% from the finance and insurance activities sector (30 June 2021: 13.2%; 31 December 2021: 10.9%), 8.1% from the wholesale and retail trade sector (30 June 2021: 7.7%; 31 December 2021: 9.6%), and 6.7% from the public sector (30 June 2021: 8.0%; 31 December 2021: 7.8%). The remaining exposure is broadly spread.

No tenant represents more than 3% of the Group's rent roll as at 30 June 2022, the largest being 2.4% (30 June 2021: 3.7%; 31 December 2021: 2.5%).

Tenants by SIC Codes (% of gross rent)

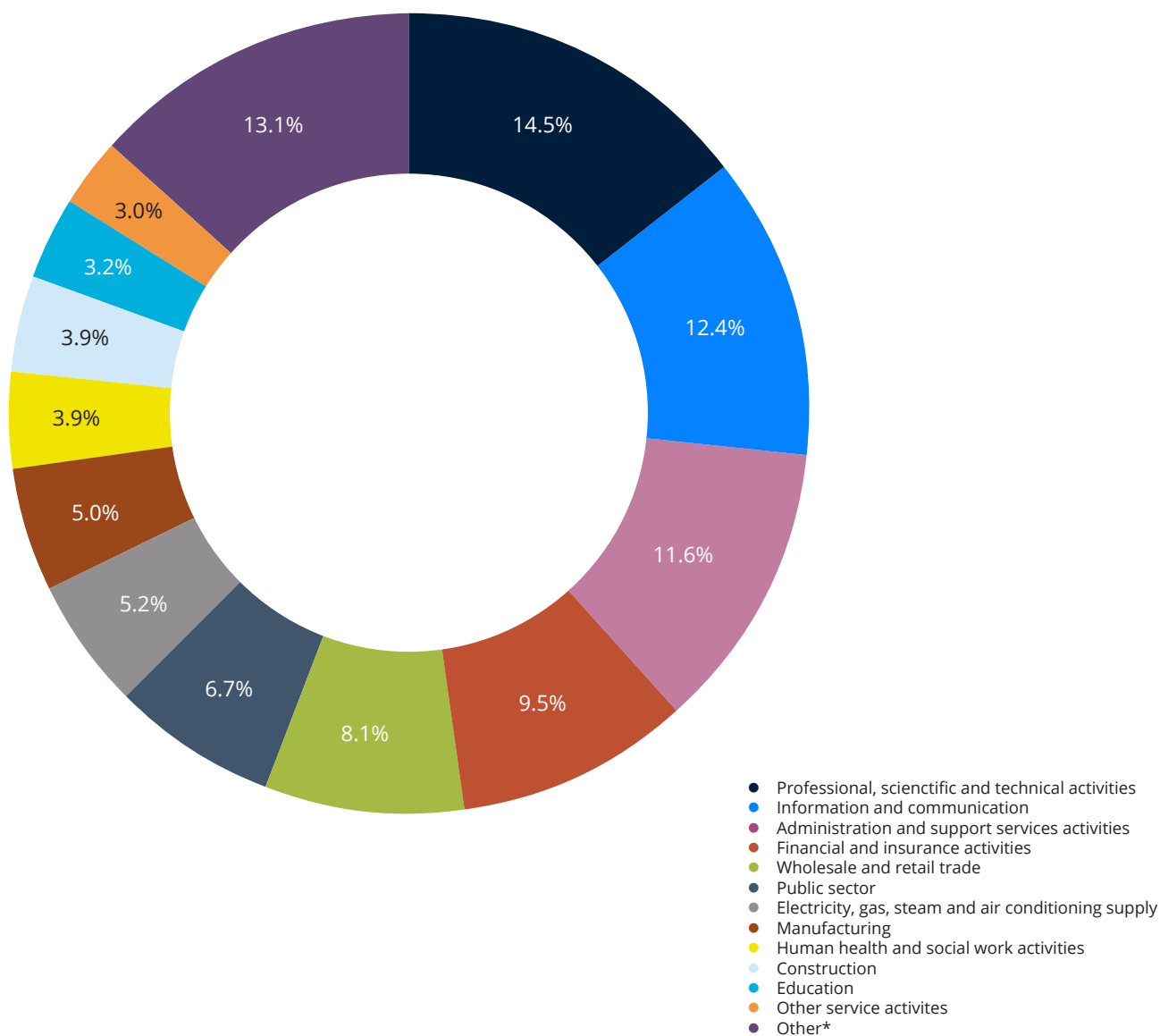


Chart may not sum due to rounding.

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

FINANCIAL REVIEW

Net Asset Value

Between 1 January 2022 and 30 June 2022, the EPRA NTA of the Group decreased to £500.5 million (IFRS NAV: £513.4 million) from £501.4 million (IFRS NAV: £502.4 million) as at 31 December 2021, equating to a decrease in the diluted EPRA NTA of 0.1pps to 97.1pps (IFRS: 99.5pps). This is after the dividends declared in the period amounting to 3.35pps.

In the six months to 30 June 2022, the investment property revaluation increase amounted to £4.8 million, for the properties held as at 30 June 2022.

The investment property portfolio was valued at £918.2 million (30 June 2021: £729.1 million; 31 December 2021: £906.1 million). The increase of £12.1 million since the December 2021 year-end is a reflection of property acquisitions and subsequent expenditure amounting to £82.0 million and the revaluation movement gains of £4.8 million, offset by £71.4 million of net property disposals and £3.3 million loss on the disposal of investment properties. Overall, on a like-for-like basis, the portfolio value increased by 1.0% during the period.

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

	Six months to 30 June 2022 (£m)	Six months to 30 June 2021 (£m)	Year ended 31 December 2021 (£m)
Acquisitions			
Net (after costs)	78.9	0.6	251.4
Gross (before costs)	74.7	–	236.0
Disposals			
Net (after costs)	71.4	10.8	76.9
Gross (before costs)	75.5	11.2	79.6
Capital Expenditure			
Net (after dilapidations)	3.1	4.3	6.8
Gross (before dilapidations)	3.3	4.9	7.2

The EPRA NTA is reconciled in the table below:

	Six months to 30 June 2022 £m	Pence per Share
Opening EPRA NTA (31 December 2021)	501.4	97.2
Net rental and property income	28.9	5.6
Administration and other expenses	(5.6)	(1.1)
Loss on the disposal of investment properties	(3.3)	(0.6)
Change in the fair value of investment properties	4.8	0.9
Change in value of right of use	(0.1)	(0.0)
EPRA NTA after operating profit	526.2	102.0
Net finance expense	(8.4)	(1.6)
Taxation	0.0	0.0
EPRA NTA before dividends paid	517.8	100.4
Dividends paid*	(17.3)	(3.4)
Closing EPRA NTA (30 June 2022)	500.5	97.1

Table may not sum due to rounding

* As at 30 June 2022, there were 515,736,583 Shares in issue.

FINANCIAL REVIEW CONTINUED

Income Statement

Operating profit before gains and losses on property assets and other investments for the six months ended 30 June 2022 amounted to £23.4 million (six months to 30 June 2021: £19.9 million). Profit after finance and before taxation amounted to £28.3 million (six months to 30 June 2021: £18.0 million). The increase is predominately the result of three factors: firstly, a gain in the fair value of investment properties in the six months to June 2022; secondly, the net movement in the fair value of derivative financial instruments; and thirdly, the six months to 30 June 2022 included a full rent roll for the enlarged portfolio of properties held as at 31 December 2021, plus the partial rent roll for properties acquired and disposed of during the period.

Rental and property income amounted to £37.1 million, excluding recoverable service charge income and other similar items (six months to 30 June 2021 £29.5m million). The increase was primarily the result of the increase in the rent roll being held over the six months to 30 June 2022.

Currently more than 85% of the rental income is collected within 30 days of the due date and the bad debts provision release in the period amounted to £0.2 million (charge in the six months to 30 June 2021: £0.6 million).

Non-recoverable property costs, excluding recoverable service charge income and other similar costs, amounted to £8.1 million (six months to 30 June 2021: £4.2 million), and the rent roll increased to £72.0 million (six months to 30 June 2021: £61.1 million).

Realised loss on the disposal of investment properties amounted to £3.3 million (six months to 30 June 2021: gain £0.6 million). The disposal losses were from the aggregate

disposal of 16 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 £4.8 million (six months to 30 June 2021: gain of £2.0 million). Net capital expenditure amounted to £3.1 million (six months to 30 June 2021: £4.3 million). The gain on the disposal of the right of use asset amounted to £nil million (six months to 30 June 2021: nil). The change in value of right of use asset amounted to a charge of £0.1 million (six months to 30 June 2021: charge £0.1 million).

Finance expenses amount to £8.4 million (six months to 30 June 2021: £6.9 million). The increase is due to additional borrowings drawn from the Royal Bank of Scotland, Bank of Scotland and Barclays on 27 August 2021, to finance the enlarged portfolio.

The EPRA cost ratio, including direct vacancy costs, was 36.9% (30 June 2021: 32.6%). The EPRA cost ratio, excluding direct vacancy costs was 16.5% (30 June 2021: 19.9%). The ongoing charges for the year ending 30 June 2022 were 5.4% (30 June 2021: 4.6%).

The EPRA Total Return from Listing to 30 June 2022 was 44.4% (30 June 2021: 39.9%), with an annualised rate of 5.7% pa (30 June 2021: 6.1% pa).

Dividend

During the period from 1 January 2022 to 30 June 2022, the Company declared dividends totalling 3.35pps (six months to 30 June 2021: 3.10pps). Since the end of the period, the Company has declared a dividend for the second quarter of 2022 of 1.65pps. A schedule of dividends can be found in the full Annual Report.



Debt Financing and Gearing

Borrowings comprise third-party bank debt and the retail eligible bond. The bank debt is secured over properties owned by the Group and repayable over the next four to seven years. The weighted average maturity of the bank debt and retail eligible bond is 5.0 years (30 June 2021: 6.0 years; 31 December 2021: 5.5 years).

The Group's borrowing facilities are with the Royal Bank of Scotland, Bank of Scotland and Barclays, Scottish Widows Limited and Aviva Investors Real Estate Finance, Scottish Widows Limited and Santander UK. The total bank borrowing facilities at 30 June 2022 amounted to £392.9 million (30 June 2021: £315.7million; 31 December 2021: £389.9 million) (before unamortised debt issuance costs), with £2.0 million available to be drawn. In addition

to the bank borrowings, the Group has a £50 million 4.5% retail eligible bond, which is due for repayment in August 2024. In aggregate, the total debt available at 30 June 2022 amounted to £444.9 million (30 June 2021: £371.9 million; 31 December 2021: £444.9 million).

At 30 June 2022, the Group's cash and cash equivalent balances amounted to £46.2 million (30 June 2021: £75.3 million; 31 December 2021: £56.1 million), of which £43.2 million (30 June 2021: £63.3 million; 31 December 2021: £49.9 million) was unrestricted cash.

The Group's net loan to value ("LTV") ratio stands at 43.2% (30 June 2021: 39.8%; 31 December 2021: 42.4%) 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 2022

Lender	Original facility £'000	Outstanding debt* £'000	Maturity date	Gross loan to value** %	Annual interest rate
Royal Bank of Scotland, Bank of Scotland & Barclays	128,000	127,445	August 2026	43.7	2.40% over 3 months £ SONIA
Scottish Widows Ltd. and Aviva Investors Real Estate Finance	165,000	165,000	December 2027	45.8	3.28% Fixed
Scottish Widows Ltd.	36,000	36,000	December 2028	37.2	3.37% Fixed
Santander UK	65,870	64,444	June 2029	39.5	2.20% over 3 months £ SONIA
	394,870	392,889			
Retail eligible bond	50,000	50,000	August 2024	N/A	4.50% Fixed
	444,870	442,889			

Table may not sum due to rounding

The Managers continue to monitor the borrowing requirements of the Group. As at 30 June 2022, the Group had sufficient headroom against its borrowing covenants.

The net gearing ratio (net debt to Ordinary Shareholders' equity (diluted) of the Group was 77.3% as at 30 June 2022 (30 June 2021: 68.3%; 31 December 2021: 76.4%).

Interest cover, excluding amortised costs, stands at 3.0 times (30 June 2021: 3.3 times; 31 December 2021: 3.5 times) and including amortised costs, stands at 2.7 times (30 June 2021: 2.9 times; 31 December 2021: 3.0 times).

* Before unamortised debt issue costs

** Based on Cushman and Wakefield property valuations

FINANCIAL REVIEW

CONTINUED

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 2022 %	Six months ended 30 June 2021 %	Year ended 31 December 2021 %
Borrowings interest rate hedged	100.5	101.7	101.3
Thereof:			
Fixed	56.7	68.6	57.1
Swap	27.6	16.5	24.1
Cap	16.1	16.5	20.0
WACD ¹	3.5	3.3	3.3

Table may not sum due to rounding

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

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

Tax

At 30 June 2022, the Group recognised a tax charge of nil (30 June 2021: nil tax charge).

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 52 to 61 of the 2021 Annual Report, which is available on the Group's website: www.regionalreit.com – Annual Report 2021.

The Audit Committee, which assists the Board with its responsibilities for managing risk, regularly reviews the risk appetite of the Company. Taking into consideration the latest information available, the Company is able to assess and respond quickly to new and emerging risks.

Though the principal risks and uncertainties remain substantially unchanged since the Annual Report and Accounts for the year ended 31 December 2021, and despite the recovery in the operating environment with the easing of pandemic related restrictions, the risks remain heightened in light of concerns around rising inflation, higher interest rates, pandemic after-effects, and geopolitical consequences of Russia's invasion of Ukraine; all of which may impact valuations and the wider UK economy.

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

Strategic risk

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

Valuation risk

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 risk

The economic disruption after-effects resulting from Covid-19, coupled with possible new strains and other infectious diseases, 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.

Economic and Political risk

The macro-health of the UK economy could impact on borrowing and hedging costs, demand by tenants for suitable properties and the quality of the tenants. Also, there is a risk that in the wake of the UK's departure from the European Union and geopolitical consequences of Russia's invasion of Ukraine, property valuations could be impacted.

Funding risk

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 continue to rise accompanying higher inflation.

Tenant risk

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 risk

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

Operational risk

Business disruption could result in lower rental income.

Accounting, Legal and Regulatory risk

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 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 2021 and are summarised above.

The condensed consolidated financial statements for the period from 1 January 2022 to 30 June 2022 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 14 September 2022 and the above responsibility statement was signed on its behalf by:

Kevin McGrath

Chairman

14 September 2022



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Continuing Operations				
Revenue				
Rental and property income	5	45,211	36,335	79,899
Property costs	6	(16,267)	(10,966)	(24,075)
Net rental and property income		28,944	25,369	55,824
Administrative and other expenses	7	(5,568)	(5,477)	(10,583)
Operating profit before gains and losses on property assets and other investments		23,376	19,892	45,241
(Loss)/gain on disposal of investment properties	13	(3,281)	585	679
Change in fair value of investment properties	13	4,785	1,985	(8,296)
Gain on the disposal of right of use assets		36	2	167
Change in fair value of right of use assets		(112)	(97)	(206)
Operating profit		24,804	22,367	37,585
Finance income	8	34	10	14
Finance expenses	9	(8,437)	(6,927)	(14,872)
Net movement in fair value of derivative financial instruments	16	11,851	2,563	6,045
Profit before tax		28,252	18,013	28,772
Taxation	10	-	-	(15)
Total comprehensive income for the period (attributable to owners of the parent company)		28,252	18,013	28,757
Earnings per Share – basic and diluted	11	5.5p	4.2p	6.3p

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

Total comprehensive income arises from continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	30 June 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Assets				
Non-current assets				
Investment properties	13	918,200	729,115	906,149
Right of use assets		12,402	15,956	16,482
Non-current receivables on tenant loan		674	915	819
Derivative Financial Instruments	16	13,557	–	1,706
		944,833	745,986	925,156
Current assets				
Trade and other receivables		32,181	30,819	29,404
Cash and cash equivalents		46,158	75,331	56,128
		78,339	106,150	85,532
Total assets		1,023,172	852,136	1,010,688
Liabilities				
Current liabilities				
Trade and other payables		(47,188)	(37,838)	(40,966)
Deferred income		(12,537)	(10,359)	(16,751)
Deferred tax liabilities		(705)	(690)	(705)
		(60,430)	(48,887)	(58,422)
Non-current liabilities				
Bank and loan borrowings	14	(386,932)	(310,388)	(383,474)
Retail eligible bonds	15	(49,673)	(49,518)	(49,596)
Derivative financial instruments	16	–	(1,776)	–
Lease liabilities		(12,762)	(16,349)	(16,795)
		(449,367)	(378,031)	(449,865)
Total liabilities		(509,797)	(426,918)	(508,287)
Net assets		513,375	425,218	502,401
Equity				
Stated capital	17	513,762	430,819	513,762
Accumulated losses		(387)	(5,601)	(11,361)
Total equity attributable to owners of the parent company		513,375	425,218	502,401
Net asset value per Share – basic and diluted	18	99.5p	98.5p	97.4p

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 2022

	Notes	Attributable to owners of the parent company		
		Stated capital £'000	Accumulated losses £'000	Total £'000
Balance at 1 January 2022		513,762	(11,361)	502,401
Total comprehensive income		-	28,252	28,252
Dividends paid	12	-	(17,278)	(17,278)
Balance at 30 June 2022		513,762	(387)	513,375

For the six months ended 30 June 2021

	Notes	Attributable to owners of the parent company		
		Stated capital £'000	Accumulated losses £'000	Total £'000
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		430,819	(5,601)	425,218

For the year ended 31 December 2021

	Notes	Attributable to owners of the parent company		
		Stated capital £'000	Accumulated losses £'000	Total £'000
Balance at 1 January 2021		430,819	(10,237)	420,582
Total comprehensive income		-	28,757	28,757
Shares issued	17	83,051	-	83,051
Share issue costs	17	(108)	-	(108)
Dividends paid	12	-	(29,881)	(29,881)
Balance at 31 December 2021		513,762	(11,361)	502,401

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 2022

	30 June 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Cash flows from operating activities			
Profit for the year before taxation	28,252	18,013	28,772
Change in fair value of investment properties	(4,785)	(1,985)	8,296
Change in fair value of financial derivative instruments	(11,851)	(2,563)	(6,045)
Loss/(gain) on disposal of investment properties	3,281	(585)	(679)
Gain on disposal of right of use assets	(36)	(2)	(167)
Change in fair value of right of use assets	112	97	206
Finance income	(34)	(10)	(14)
Finance expense	8,437	6,927	14,872
(Increase)/decrease in trade and other receivables	(2,631)	2,967	4,398
Increase/(decrease) in trade and other payables and deferred income	1,686	(631)	7,256
Cash generated from operations	22,431	22,228	56,895
Finance costs	(7,406)	(6,109)	(13,053)
Taxation received	-	-	-
Net cash flow generated from operating activities	15,025	16,119	43,842
Investing activities			
Purchase of investment properties and subsequent expenditure	(81,970)	(4,993)	(175,196)
Sale of investment properties	71,423	10,828	76,940
Interest received	33	11	15
Net cash flow (used in)/generated from investing activities	(10,514)	5,846	(98,241)
Financing activities			
Share issue costs	-	-	(108)
Dividends paid	(16,956)	(12,943)	(27,813)
Bank borrowings advanced	14,322	1,109	77,305
Bank borrowings repaid	(11,370)	(1,570)	(3,539)
Bank borrowing costs paid	(153)	(296)	(2,051)
Lease repayments	(324)	(307)	(640)
Net cash flow (used in)/generated from financing activities	(14,481)	(14,007)	43,154
Net (decrease)/increase in cash and cash equivalents for the period	(9,970)	7,958	(11,245)
Cash and cash equivalents at the start of the period	56,128	67,373	67,373
Cash and cash equivalents at the end of the period	46,158	75,331	56,128

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 2022

1. Corporate information

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 comprise the results of the Company and its subsidiaries (together constituting the "Group") and were approved by the Board and authorised for issue on 14 September 2022.

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 2022 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 2021, 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 2021 and year ended 31 December 2021 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 2021 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 £46.2m of cash and cash equivalents, of which £43.2m was unrestricted cash, providing ample liquidity.

Borrowing facilities increased from £439.9m at 31 December 2021 to £442.9m as at 30 June 2022, with an LTV of 43.2%, based upon the value of Company's investment properties as at 30 June 2022. In respect of the Company's borrowings, the Retail eligible bond matures in August 2024 and the 1st bank facility to mature is £128m facility in August 2026 which is held with the Royal Bank of Scotland.

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 FOR THE SIX MONTHS ENDED 30 JUNE 2022 CONTINUED

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 £918,200,000 (30 June 2021: £729,115,000; 31 December 2021: £906,149,000) is determined, by independent property valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques applying the principles of both IAS 40 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.

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 an asset of £13,557,000 (30 June 2021: £1,776,000 liability; 31 December 2021: £1,706,000 asset), as set out on Note 16.

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 2022, there were 12 leases with the range of the period left to run being 44 and 129 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. 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.

3.2.3. Acquisition of subsidiary companies

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

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

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

3.3. 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 2021 and are expected to be consistently applied for the current year ending 31 December 2022. The changes to the condensed consolidated financial statements arising from accounting standards effective for the first time are noted below:

Amendments to IFRS 3 'Business Combinations'

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

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'

(effective for periods beginning on or after 1 January 2022) – gives clarification on costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The amendments are not expected to have a significant impact on the preparation of the financial statements.

Amendments to IFRS 9 'Financial Instruments'

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

5. Rental and property income

	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Rental income – freehold property	31,255	26,636	57,128
Rental income – long leasehold property	5,801	2,891	8,626
Recoverable service charge income and other similar items	8,155	6,808	14,145
Total	45,211	36,335	79,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 CONTINUED

6. Property costs

	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Other property expenses and irrecoverable costs	8,112	4,158	9,930
Recoverable service charge expenditure and other similar costs	8,155	6,808	14,145
Total	16,267	10,966	24,075

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

7. Administrative and other expenses

	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Investment management fees	1,469	1,137	2,326
Property management fees	1,284	1,183	2,495
Asset management fees	1,494	1,139	2,326
Directors' remuneration	134	125	254
Administration fees	315	339	647
Legal and professional fees	939	839	1,680
Marketing and promotion	43	35	72
Other administrative costs (including bad debts)	(117)	658	755
Bank charges	7	22	28
Total	5,568	5,477	10,583

Other administration costs includes a credit of £200,000 for the net recovery of bad debts (six months ended 30 June 2021: net cost for bad debtors of £583,000; year ended 31 December 2021: net cost for bad debts of £626,000).

8. Finance income

	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Interest income	34	10	14
Total	34	10	14

9. Finance expense

	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Interest payable on bank borrowings	6,277	4,980	10,795
Amortisation of loan arrangement fees	659	453	1,067
Bond interest	1,125	1,125	2,250
Bond issue costs amortised	77	77	155
Bond expenses	4	4	8
Lease interest	295	288	597
Total	8,437	6,927	14,872

10. Taxation

	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Corporation tax charge/(credit)	-	-	-
(Decrease)/increase in deferred tax creditor	-	-	15
Total	-	-	15

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 FOR THE SIX MONTHS ENDED 30 JUNE 2022 CONTINUED

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 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Calculation of earnings per Share			
Net profit attributable to Ordinary Shareholders	28,252	18,013	28,757
Adjustments to remove:			
Changes in fair value of investment properties	(4,785)	(1,985)	8,296
Changes in fair value of right of use assets	112	97	206
(Gain)/loss on disposal of investment property	3,281	(585)	(679)
Gain on the disposal of right of use assets	(36)	(2)	(167)
Change in fair value of interest rate derivatives and financial assets	(11,851)	(2,563)	(6,045)
Deferred tax charge/credit	-	-	15
EPRA net profit attributable to Ordinary Shareholders	14,973	12,975	30,383
Weighted average number of Ordinary Shares	515,736,853	431,506,583	459,660,172
Earnings/(loss) per Share – basic and diluted	5.5p	4.2p	6.3p
EPRA earnings per Share – basic and diluted	2.9p	3.0p	6.6p

12.Dividends

	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Dividend of 1.70 (2021: 1.50) pence per Ordinary Share for the period 1 October – 31 December	8,768	6,473	6,473
Dividend of 1.60 (2021: 1.60) pence per Ordinary Share for the period 1 January – 31 March	8,510	6,904	6,904
Dividend of nil (2021: 1.60) pence per Ordinary Share for the period 1 April – 30 June	-	-	8,252
Dividend of nil (2021: 1.60) pence per Ordinary Share for the period 1 July – 30 September	-	-	8,252
Total	17,278	13,377	29,881

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

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

On 24 August 2022, the Company announced a dividend of 1.65 pence per Share in respect of the period 1 April 2022 to 30 June 2022. The dividend will be paid on 14 October 2022 to Shareholders on the register as at 2 September 2022. These condensed consolidated financial statements do not reflect this dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 CONTINUED

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.

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.

Movement in investment properties for the six months ended 30 June 2022 (unaudited)	Freehold Property £'000	Long Leasehold Property £'000	Total £'000
Valuation at 1 January 2022	751,440	154,709	906,149
Property additions – acquisitions	64,709	14,207	78,916
Property additions – subsequent expenditure	1,735	1,319	3,054
Property disposals	(67,907)	(3,516)	(71,423)
Loss on disposals of investment properties	(2,792)	(489)	(3,281)
Change in fair value during the period	1,940	2,845	4,785
Valuation at 30 June 2022 (unaudited)	749,125	169,075	918,200

Movement in investment properties for the six months ended 30 June 2021 (unaudited)			
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

Movement in investment properties for the year ended 31 December 2021 (audited)			
Valuation at 1 January 2021	659,432	72,948	732,380
Property additions– acquisitions	155,806	95,625	251,431
Property additions – subsequent expenditure	3,329	3,487	6,816
Property disposals	(60,304)	(16,557)	(76,861)
Gain/(loss) on the disposal of investment properties	(1,256)	1,935	679
Change in fair value during the period	(5,567)	(2,729)	(8,296)
Valuation at 31 December 2021 (audited)	751,440	154,709	906,149

The historic cost of the properties was £944,480,000 (30 June 2021: £752,029,000, 31 December 2021: £942,694,000).

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

Date of valuation:	Total £'000	Quoted active prices (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
30 June 2022	918,200	-	-	918,200
30 June 2021	729,115	-	-	729,115
31 December 2021	906,149	-	-	906,149

The hierarchy levels are defined in note 16.

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 2022, 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 (£9,000 – £3,317,000 per annum (30 June 2021: £9,000 – £3,087,591 per annum; 31 December 2021: £9,000 – £3,125,246 per annum)).

Observable input: rental growth

The increase in rent is based on contractual agreements: -1.2% (31 December 2021: 12.29%; 30 June 2020: 13.7%)

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 (0% – 21.81%; (30 June 2021: 0% – 27.26%; 31 December 2021: 0% to 60.37%)).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 CONTINUED

14. 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 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Bank borrowings drawn at start of period	389,937	316,171	316,171
Bank borrowings drawn	14,322	1,109	77,305
Bank borrowings repaid	(11,370)	(1,570)	(3,539)
Bank borrowings drawn at end of period	392,889	315,710	389,937
Less: unamortised costs at start of period	(6,463)	(5,479)	(5,479)
Less: loan issue costs incurred in the period	(153)	(296)	(2,051)
Add: loan issue costs amortised in the period	659	453	1,067
At end of period	386,932	310,388	383,474
Maturity of bank borrowings			
Repayable within 1 year	-	-	-
Repayable between 1 to 2 years	-	-	-
Repayable between 2 to 5 years	127,445	51,024	127,220
Repayable after more than 5 years	265,444	264,686	262,717
Unamortised loan issue costs	(5,957)	(5,322)	(6,463)
	386,932	310,388	383,474

The table below lists the Group's borrowings.

Lender	Original facility £'000	Outstanding debt* £'000	Maturity date	Gross loan to value**	Annual interest rate	Amortisation
Royal Bank of Scotland, Bank of Scotland and Barclays	128,000	127,445	August 2026	43.7%	2.40% over 3 months £ SONIA	Mandatory prepayment
Scottish Widows Ltd & Aviva Investors Real Estate Finance	165,000	165,000	December 2027	45.8%	3.28% Fixed	None
Scottish Widows Ltd	36,000	36,000	December 2028	37.2%	3.37% Fixed	None
Santander UK	65,870	64,444	June 2029	39.5%	2.20% over 3 months £ SONIA	Mandatory prepayment
Total bank borrowings	394,870	392,889				
Retail eligible bond	50,000	50,000	August 2024		4.50% Fixed	None
Total	444,870	442,889				

SONIA = Sterling Over Night Indexed Average

* 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 5 years (30 June 2021: 6.0 years; 31 December 2021: 5.5 years). The weighted average interest rate payable by the Group on its debt portfolio, excluding hedging costs, as at the period end was 3.4% per annum (30 June 2021: 3.1% per annum; 31 December 2021: 3.0% 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 16, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 CONTINUED

15. 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 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Bond principal at start of period	50,000	50,000	50,000
Unamortised issue costs at start of period	(404)	(559)	(559)
Amortisation of issue costs	77	77	155
At end of period	49,673	49,518	49,596

16. 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 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Fair value at start of period	1,706	(4,339)	(4,339)
Revaluation in the period	11,851	2,563	6,045
Fair value at end of period	13,557	(1,776)	1,706

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

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

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

Lender	Original facility £'000	Outstanding debt* £'000	Maturity date	Annual interest rate	Notional amount £'000	Rate
Royal Bank of Scotland, Bank of Scotland and Barclays	128,000	127,445	August 2026	2.40% over 3 months £ SONIA	swap £73,000 cap £55,000	0.97% 0.97%
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	165,000	165,000	December 2027	3.28% Fixed	n/a	n/a
Scottish Widows Ltd	36,000	36,000	December 2028	3.37% Fixed	n/a	n/a
Santander UK	65,870	64,444	June 2029	2.20% over 3 months £ SONIA	swap £49,403 cap £16,468	1.39% 1.39%
Total	394,870	392,889				

SONIA = Sterling Over Night Indexed Average

As at 30 June 2022, the swap arrangements were £122.4m (30 June 2021: £60.44m; 31 December 2021: £105.94m) and the cap notional arrangements amounted to £71.5m (30 June 2021: £60.4m; 31 December 2021: £87.9m).

The Group weighted average cost of debt of 3.5%, (30 June 2021: 3.3%; 31 December 2021: 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 100.5% (30 June 2021: 102.0%; 31 December 2021: 101.3%), as shown below.

	30 June 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Total bank borrowings	392,889	315,710	389,937
Notional value of interest rate caps and swaps	193,870	120,870	193,870
Value of fixed rate debts	201,000	201,000	201,000
	394,870	321,870	394,870
Proportion of hedged debt	100.5%	102.0%	101.3%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 CONTINUED

Date of valuation:	Total £'000	Quoted active prices (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
30 June 2022	13,557	-	13,557	-
30 June 2021	(1,776)	-	(1,776)	-
31 December 2021	1,706	-	1,706	-

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.

17. Stated capital

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

	30 June 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Issued and fully paid Shares of no par value			
At start of the period	513,762	430,819	430,819
Shares issued	-	-	83,051
Share issue costs	-	-	(108)
At end of the period	513,762	430,819	513,762
Number of Shares in issue			
At start of the period	515,736,583	431,506,583	431,506,583
Shares issued	-	-	84,230,000
At end of the period	515,736,583	431,506,583	515,736,583

18. 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 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Net asset value per Condensed Consolidated Statement of Financial Position	513,375	425,218	502,401
Adjustment for calculating EPRA net tangible assets:			
Derivative financial instruments	(13,557)	1,776	(1,706)
Deferred tax liability	705	690	705
EPRA Net Tangible Assets	500,523	427,684	501,400
Number of Ordinary Shares in issue	515,736,583	431,506,583	515,736,583
Net asset value per Share – basic and diluted	99.5p	98.5p	97.4p
EPRA Net Tangible Assets per Share – basic and diluted	97.1p	99.1p	97.2p

19. 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.

20. 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 (i) 1.1% of the EPRA NTA up to and equal to £500,000,000; (ii) 0.9% of EPRA NTA above £500,000,000 and up to or equal to £1,000,000,000; (iii) 0.7% of EPRA NTA above £1,000,000,000 and up to or equal to £1,500,000,000; and (iv) 0.5% of EPRA NTA above £1,500,000,000.

In respect of each portfolio property the Investment Manager has procured and shall, with the Company in future, procure that London & Scottish Property Investment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 CONTINUED

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

	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Asset management fees charged ¹	1,494	1,139	2,326
Property management fees charged ¹	1,284	1,183	2,495
Performance fees charged	-	-	-
Total	2,778	2,322	4,821

	30 June 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Total fees outstanding ¹	1,474	1,186	1,350

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 (i) 1.1% of the EPRA NTA up to and equal to £500,000,000; (ii) 0.9% of EPRA NTA above £500,000,000 and up to or equal to £1,000,000,000; (iii) 0.7% of EPRA NTA above £1,000,000,000 and up to or equal to £1,500,000,000; and (iv) 0.5% of EPRA NTA above £1,500,000,000.

The Investment Manager is also entitled to a Performance Fee. Details of the Performance Fee are given below.

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

	Six months ended 30 June 2022 (unaudited) £'000	Six months ended 30 June 2021 (unaudited) £'000	Year ended 31 December 2021 (audited) £'000
Investment management fees charged	1,469	1,137	2,326
Performance fees charged	-	-	-
Total	1,469	1,137	2,326

	30 June 2022 (unaudited) £'000	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Total fees outstanding	687	584	593

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 2022 or 30 June 2021 or the year ending 31 December 2021.

EPRA PERFORMANCE MEASURES

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	Period ended 30 June 2022	Period ended 31 December 2021
EPRA EARNINGS	Earnings from operational activities.	EPRA Earnings	£14,973,000	£30,383,000
		EPRA Earnings per Share (basic and diluted)	2.9p	6.6p
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	£500,523,000	£501,400,000
		EPRA Net Reinstatement Value per Share (diluted)	97.1p	97.2p
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	£500,523,000	£501,400,000
		EPRA Net Tangible Assets per Share (diluted)	97.1p	97.2p
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	£525,518,000	£497,312,000
		EPRA Net Disposal Value per Share (diluted)	101.9p	96.4p
EPRA Net Initial Yield (NIY)	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	5.7%	5.7%
EPRA 'Topped-up' NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).	EPRA 'Topped-up' Net Initial Yield	6.8%	6.2%
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacancy space divided by ERV of the whole portfolio.	EPRA Vacancy Rate	16.2%	18.2%
EPRA Costs Ratio	Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	EPRA Costs Ratio	36.9%	31.2%
		EPRA Costs Ratio (excluding direct vacancy costs)	16.5%	16.8%
EPRA LTV	Debt divided by the market value of property	EPRA LTV	46.3%	45.6%

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 2022 £'000	31 December 2021 £'000
NAV per the financial statements	513,375	502,401
Fair value of derivative financial instruments	(13,557)	(1,706)
Deferred tax liability	705	705
EPRA Net Reinstatement Value	500,523	501,400
Dilutive number of Shares	515,736,583	515,736,583
EPRA Net Reinstatement Value per Share	97.1p	97.2p

3. EPRA Net Tangible Assets

	30 June 2022 £'000	31 December 2021 £'000
NAV per the financial statements	513,375	502,401
Fair value of derivative financial instruments	(13,557)	(1,706)
Deferred tax liability	705	705
EPRA Net Tangible Assets	500,523	501,400
Dilutive number of Shares	515,736,583	515,736,583
EPRA Net Tangible Assets per Share	97.1p	97.2p

NOTES TO THE CALCULATION OF EPRA PERFORMANCE MEASURES CONTINUED

4. EPRA Net Disposal Value

	30 June 2022 £'000	31 December 2021 £'000
NAV per the financial statements	513,375	502,401
Adjustment for the fair value of bank borrowings	11,493	(3,899)
Adjustment for the fair value of retail eligible bonds	650	(1,190)
EPRA Net Disposal Value	525,518	497,312
Dilutive number of Shares	515,736,583	515,736,583
EPRA Net Disposal Value per Share	101.9p	96.4p

5. EPRA Net Initial Yield

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

	30 June 2022 £'000	31 December 2021 £'000
Investment properties	915,240	906,149
Purchaser costs	60,594	59,973
	975,834	966,122
Annualised cash passing rental income	66,282	67,095
Property outgoings	(10,914)	(11,822)
Annualised net rents	55,368	55,273
Add notional rent expiration of rent-free periods or other lease incentives	10,734	4,961
Topped-up net annualised rent	66,101	60,234
EPRA NIY	5.7%	5.7%
EPRA topped up NIY	6.8%	6.2%

6. EPRA Vacancy Rate

	Six months ended 30 June 2022 £'000	Year ended 31 December 2021 £'000
Estimated Market Rental Value (ERV) of vacant space	14,334	16,095
Estimated Market Rental Value (ERV) of whole portfolio	88,234	88,375
EPRA Vacancy Rate	16.2%	18.2%

7. EPRA Cost Ratios

	Six months ended 30 June 2022 £'000	Year ended 31 December 2021 £'000
Property costs	16,267	24,075
Less recoverable service charge income and other similar costs	(8,155)	(14,145)
Add administrative and other expenses	5,568	10,583
EPRA costs (including direct vacancy costs)	13,680	20,513
Direct vacancy costs	(7,549)	(9,468)
EPRA costs (excluding direct vacancy costs)	6,131	11,045
Gross rental income	45,211	79,899
Less recoverable service charge income and other similar items	(8,155)	(14,145)
Gross rental income less ground rents	37,056	65,754
EPRA Cost Ratio (including direct vacancy costs)	36.9%	31.2%
EPRA Cost Ratio (excluding direct vacancy costs)	16.5%	16.8%

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

8. EPRA LTV

	30 June 2022 £'000	31 December 2021 £'000
Borrowings from financial institutions	392,889	389,937
Bond loans	50,000	50,000
Net payables	28,868	29,589
Cash held by solicitors	(66)	(66)
Cash and cash equivalents	(46,158)	(56,128)
EPRA Net debt	425,533	413,332
Investment properties at fair value	918,200	906,149
Financial Assets – loans	867	1,011
Total property value	919,067	907,160
EPRA LTV	46.3%	45.6%

PROPERTY RELATED CAPITAL EXPENDITURE ANALYSIS

	Six months ended 30 June 2022 £'000	Year ended 31 December 2021 £'000
Acquisitions	78,916	251,431
Development		
Investment properties	-	-
Incremental lettable space	-	-
No incremental lettable space	3,054	6,816
Tenant incentives	-	-
Other material non-allocated types of expenditure	-	-
Capitalised interest	-	-
Total capital expenditure	81,970	258,247
Conversion from accrual to cash basis	-	-
Total capital expenditure on cash basis	81,970	258,247

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.

OTHER PERFORMANCE MEASURES

Net LTV

	30 June 2022 £'000	31 December 2021 £'000
Borrowings from financial institutions	392,889	389,937
Bond loans	50,000	50,000
Cash held by solicitors	(66)	(66)
Cash and cash equivalents	(46,158)	(56,128)
Net debt	396,665	383,743
Investment properties at fair value	918,200	906,149
Net LTV	43.2%	42.4%

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).

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

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 58.

EPC – Energy Performance Certificate.

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 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 Dividend Cover – EPRA earnings per Share divided by the dividend per Share.

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 LTV – EPRA Loan-To-Value is calculated as debt (including net payables) divided by market value of property as defined in the EPRA Best Practice Guidelines

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 Net Initial Yield (EPRA NIY) – 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 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 Occupancy Like for Like – the like-for-like movement in EPRA Occupancy against the same period in the prior year, on properties owned throughout both comparable periods.

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.

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

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

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.

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.

GLOSSARY OF TERMS CONTINUED

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

Gross Rental Income – see Rent Roll.

Group – Regional REIT Limited and its subsidiaries.

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

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

ISA – Individual Savings Account.

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.

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.

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

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 – (Borrowings – cash and cash equivalents)/(Total Issued Shares + Retained Earnings).

Net Loan-to-Value (LTV) Ratio / Net Borrowings – (Borrowings (before debt issuance costs) – less cash)/(Investment Properties Value) expressed as percentage.

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

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.

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

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

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 issued on 5 December 2017.

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 predominately 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. ERV/Investment Properties Value expressed as a percentage.

Shareholder – a holder of Shares in the Company.

Shares – Ordinary Shares issued by the Company.

SIPP – self-invested personal pension.

SONIA – Sterling Overnight Index Average.

SSAS – small self-administered scheme.

TCFD – Task Force on Climate-Related Financial Disclosures created in 2015 by the Financial Stability Board to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.

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) – (Annualised current passing rent net of property related taxes, building insurance, and maintenance costs (the three “nets”)/ (Investment Properties Value).

UN SDG – the Sustainable Development Goals or Global Goals are a collection of 17 interlinked global goals designed to be a “blueprint to achieve a better and more sustainable future for all”. The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.

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.

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 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).

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, Nomination Committee Chairman, Management Engagement and Remuneration Committee Chairman)

Daniel Taylor (Independent Non-Executive Director)

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

Massy Larizadeh (Independent Non-Executive Director)

Stephen Inglis (Non-Executive Director)

Timothy Bee (Non-Executive Director)

Registered office

Regional REIT Limited

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Company Secretary

Link Company Matters Limited

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EX4 4EP

Asset Manager

London & Scottish Property Investment Management Limited

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Glasgow
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Investment Manager

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London
NW1 5SD

Financial Adviser and Joint Broker

Peel Hunt LLP

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EC2M 2AT

Joint Broker

Panmure Gordon

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London
EC4M 9AF

Legal Adviser to the Company

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London
EC4A 1LT

Administrator

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St. Sampson
Guernsey
GY2 4LH

Sub-Administrator

Link Alternative Fund Administrators Limited

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51 New North Road
Exeter
Devon
EX4 4EP

Independent Auditor

RSM UK Audit LLP

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69 Wellington Street
Glasgow
G2 6HG

Registrar

Link Market Services (Guernsey) Limited

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29 Wellington Street
Leeds
LS1 4DL

Depository

Ocorian Depository (UK) Limited

20 Fenchurch Street
London
EC3M 3BY

Public Relations

Buchanan Communications Limited

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London
EC2V 6DN

Property Valuer

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

Please phone: **0371 664 0300** for any questions about:

- changing your address or other details;
- your Shares;
- buying and selling Shares.

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 09:00 and 17:30, Monday to Friday, excluding public holidays in England and Wales. For Shareholder enquiries, please email: enquiries@linkgroup.co.uk.



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