Regional REIT
THE OFFICE SPECIALISTS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

THE REGIONAL OFFICE REIT DELIVERING A HIGH INCOME

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. 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.

FINANCIAL HIGHLIGHTS YEAR ENDED 31 DECEMBER 2022

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

Portfolio Valuation	**£789.5 million** (2021: £906.1 million)
IFRS NAV per Share	**78.1p** (2021: 97.4p)
EPRA* NTA per Share	**73.5p** (2021: 97.2p)
EPRA* earnings per Share	**6.6p** (2021: 6.6p)
Dividend Per Share	**6.6p** (2021: 6.5p)
Net Loan to Value Ratio**	**49.5%** (2021: 42.4%)
Weighted Average Cost of Debt**	**3.5%** (2021: 3.3%)
Weighted Average Debt Duration**	**4.5 yrs** (2021: 5.5 yrs)

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 pages 165 to 169.

* The European Public Real Estate Association (EPRA)

** Alternative Performance Measures. Details are provided in the Glossary of Terms on pages 170 to 172 and the EPRA Performance Measures on pages 165 to 169.

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OVERVIEW

HIGH DIVIDEND DISTRIBUTION REIT, OFFERING EXPOSURE TO THE REGIONAL OFFICE SECTOR.

EXPERIENCED ASSET MANAGER FOCUSED ON ACTIVE MANAGEMENT.

ABOUT US

Regional REIT Limited ("Regional REIT" or the "Company") and its subsidiaries[1] (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 predominately comprised of offices located in UK regional centres outside of the M25 motorway. The portfolio is geographically diversified, with 154 properties, 1,552 units and 1,076 tenants as at 31 December 2022, with a valuation of £789.5 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 capital 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 84 and 17 to 22, respectively.

OPERATIONAL HIGHLIGHTS YEAR ENDED 31 DECEMBER 2022

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

154 Properties

1,552 Units

1,076 Tenants

£71.8 million Rent Roll

Portfolio by region and sector (by value)

83.3% England & Wales

91.8% Office

£74.7 million Property acquisitions (before costs)

6 properties

£84.1 million Property disposal proceeds (net of costs)

20 properties

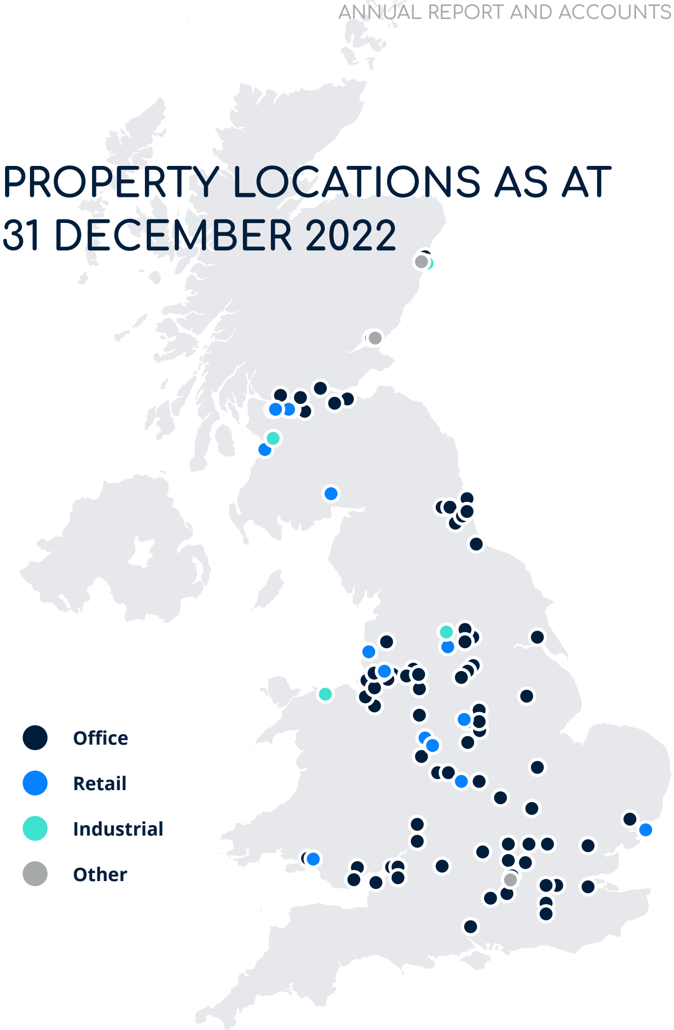
83.4% EPRA Occupancy by ERV*

4.7 yrs WAULT to expiry

3.0 yrs WAULT to first break

* Alternative Performance Measures. Details are provided in the Glossary of Terms on pages 170 to 172 and the EPRA Performance Measures on pages 165 to 168.

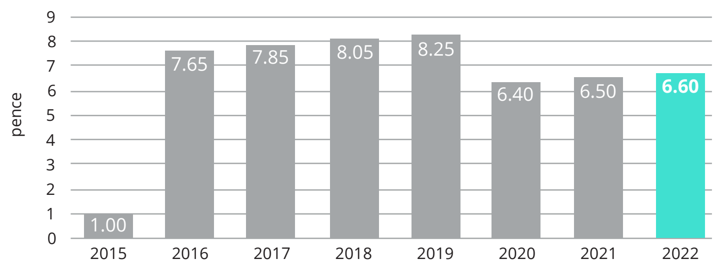
PROPERTY LOCATIONS AS AT 31 DECEMBER 2022



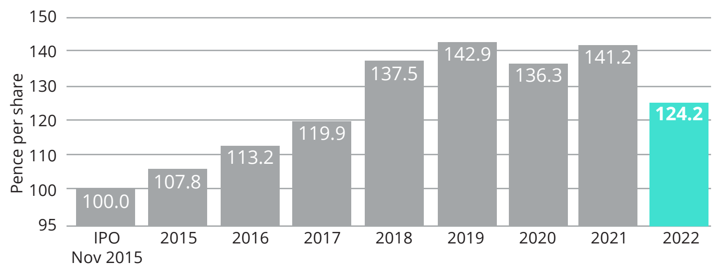
PERFORMANCE HIGHLIGHTS YEAR ENDED 31 DECEMBER 2022

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

Dividends declared per share



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



24.2%
EPRA Total Return attributable to Shareholders since Admission^

3.1%
EPRA Annual Total Return attributable to Shareholders

^ Admission: 6 November 2015.
Member of FTSE All-Share Index since March 2016.
Member of FTSE EPRA NAREIT UK Index since June 2016.
Terms are defined in the Glossary of Terms on pages 170 to 172.

AT A GLANCE

EPRA-Eps-Adj* diluted (pence)
(excluding performance fee)

6.6p +0%

2022	**6.6**
2021	6.6
2020	6.5

EPRA Occupancy*
(%)

83.4% +2%

2022	**83.4**
2021	81.8
2020	89.4

Net Rental and Property Income
(£m)

£62.6m +12%

2022	**62.6**
2021	55.8
2020	53.3

WADD*
(years)

4.5yrs (18%)

2022	**4.5**
2021	5.5
2020	6.4

Net LTV*
(%)

49.5% +17%

2022	**49.5**
2021	42.4
2020	40.8

WACD*
(%)

3.5% +6%

2022	**3.5**
2021	3.3
2020	3.3

EPRA NTA - Diluted*
(pps)

73.5p (24%)

2022	**73.5**
2021	97.2
2020	98.6

IFRS Nav - Diluted
(pps)

78.1p (20%)

2022	**78.1**
2021	97.4
2020	97.5

Investment Properties Value
(£m)

£789.5m (13%)

2022	**789.5**
2021	906.1
2020	732.4

* Alternative Performance Measures. Details and terms are provided in the Glossary of Terms on pages 170 to 172 and the EPRA Performance Measures on pages 165 to 168.

Orbis 1, 2 & 3, Pride Park, Derby

Number of Properties

154 (8%)

2022	**154**
2021	168
2020	153

Tenants

1,076 (0%)

2022	**1,076**
2021	1,077
2020	898

Units

1,552 +3%

2022	**1,552**
2021	1,511
2020	1,245

Rent Roll
(£m)

£71.8m (0%)

2022	**71.8**
2021	72.1
2020	64.2

WAULT to first break
(years)

3yrs +0%

2022	**3.0**
2021	3.0
2020	3.2

Average rent* (per square foot)
(£)

£13.65 +7%

2022	**13.65**
2021	12.75
2020	10.44

EPRA Dividend Cover
(%)

100% (2%)

2022	**100**
2021	102
2020	102

Dividend per Share
(pps)

6.6p +2%

2022	**6.6**
2021	6.5
2020	6.4

Average Property Value
(£m)

£5.1m (6%)

2022	**5.1**
2021	5.4
2020	4.8

* Alternative Performance Measures. Details and terms are provided in the Glossary of Terms on pages 170 to 172 and the EPRA Performance Measures on pages 165 to 168.

Linford Wood Business Park, Milton Keynes

A YEAR IN REVIEW

2022

PORTFOLIO	31 Dec 2021	31 Mar	30 Jun
Properties:	168	160	159
Units:	1,511	1,438	1,517
Tenants:	1,077	1,035	1,086
Valuation:	£906.1m	£874.0m	£918.2m
Rent roll (per annum):	£72.1m	£68.5m	£72.0m
EPRA occupancy (by ERV):	81.8%	81.6%	83.8%
LTV:	42.4%	40.3%	43.2%

CASH/DEBT/EQUITY	31 Dec 2021	31 Mar	30 Jun
Cash balance:	£56.1m	£82.3m	£46.2m
Gross borrowings:	£439.9m	£434.1m	£442.9m

DIVIDENDS	24 Feb	25 May
Amount:	1.70p	1.65p
Period:	Q4 2021	Q1 2022

30 Sep
156
1,556
1,042
£914.9m
£72.2m
84.6%
43.1%

31 Dec 2022
154
1,552
1,076
£789.5m
£71.8m
83.4%
49.5%

24 Aug
1.65p
Q2 2022

30 Sep
£48.4m
£442.7m

10 Nov
1.65p
Q3 2022

31 Dec 2022
£50.1m
£440.8m

STRATEGIC REPORT

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

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

Kevin McGrath

Chairman

Templeton on the Green, Glasgow

CHAIRMAN'S STATEMENT

Kevin McGrath
Chairman

Overview

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

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

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

* Alternative Performance Measures. Details are provided in the Glossary of Terms on pages 170 to 172 and the EPRA Performance Measures on pages 165 to 168.

CHAIRMAN'S STATEMENT CONTINUED

11.2% Attractive Dividend Yield at 31 December

6.6pps 2022 Dividend (2021: 6.5pps)

£200 million of dividends have been declared since inception

£789.5 million Portfolio Valuation

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

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

Endeavour House, Sunderland

Financial Resources

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

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

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

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

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

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

Sustainability

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

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

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

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

Market Environment

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

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

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

More details can be found in the Asset Manager's Report on pages 24 to 35.

Manchester Green, Manchester

Dividends

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

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

Performance

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

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

1 Lambert Smith Hampton, UKIT Q4 2022

CHAIRMAN'S STATEMENT CONTINUED

Management Agreements

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

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

Annual General Meeting

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

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

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

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

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

Shareholder and Stakeholder Engagement

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

Direct engagement with our tenants is an important part of our asset management initiatives, to help us understand their needs and identify opportunities and challenges. We encourage our tenants to work openly and collaboratively with us to enable us to continually improve our workspaces and deliver mutual benefit. Likewise, we encourage this with our stakeholders to ensure we can continually improve our operations. The Company has continued to develop its relations with investors and more details can be found on the Company website www.regionalreit.com. Further information on Shareholder and Stakeholder engagement can be found on pages 79 to 81.

Board and Governance

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

Outlook

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

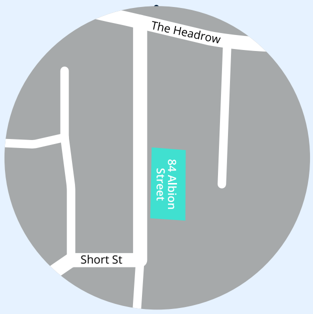
The UK region's economic activity continues to strengthen, and companies continue to require office space in our identified growth areas. Regional REIT remains well positioned to meet the challenges and take the opportunities that will inevitably arise in the coming years.

Kevin McGrath

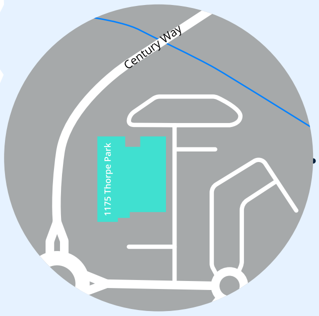
Chairman

27 March 2023

ALBION STREET



THORPE PARK

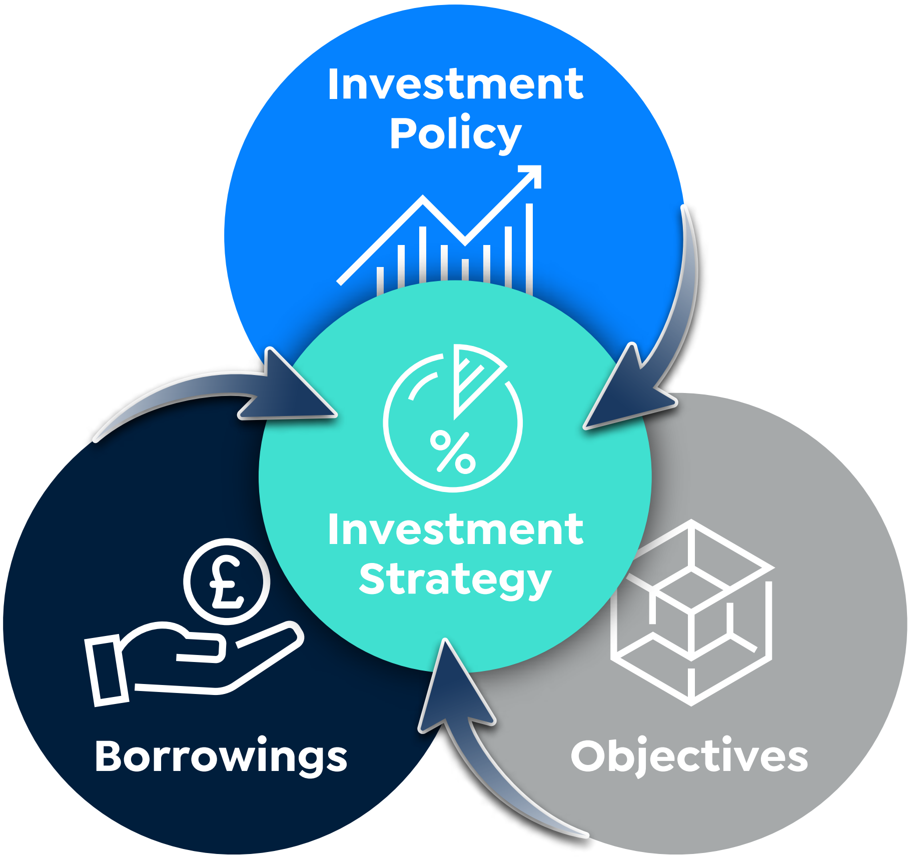


LEEDS

SHEFFIELD

ONE NORTH BANK

INVESTMENT STRATEGY AND BUSINESS MODEL



BUSINESS MODEL

- **Geographically diversified income focused portfolio**
- **Opportunistic approach to property investment**
- **Investing in income producing assets**
- **Highly experienced asset manager**
- **Active management of the properties**
- **Regions primed for growth**

Investment Policy

The Group will invest predominately in office properties that are situated in the UK and outside of the M25 motorway.

The Group may also invest in property portfolios in which up to 50% of the properties (by market value) are situated inside the M25 motorway.

In the ordinary course of business, no single property will exceed 10% of the Group's Gross Investment Properties Value at the time of the investment; exceptionally, the Board may consider taking this up to 20%.

The normal minimum value for a single property investment is £5 million, except where an asset is within a portfolio of properties for which there shall be no such minimum.

No more than 20% of the Gross Investment Properties Value shall be exposed to any one tenant or group undertaking of that tenant.

Speculative development (properties under construction, but excluding refurbishment, which have not been pre-let) is prohibited. Any other development is restricted to an aggregate maximum of 15% of Gross Investment Properties Value at investment or commencement.

Investment Strategy

The Group will invest in, and actively manage, a portfolio of mainly office properties or debt portfolios secured on such properties located predominately in the regional centres of the UK outside of the M25 motorway.

The Group aims to build a portfolio of interests that, together, offer Shareholders a diversification of investment risk by investing in a range of geographical areas and across a number of high-quality assets and tenants, and through letting properties, where possible, to low-risk tenants.

The Group will use gearing, borrowings and other sources of leverage to implement its investment strategy and enhance equity returns.

Investment Objective

The investment objective of the Company is to deliver an attractive total return to Shareholders of greater than 10% per annum, with a strong focus on income from investing in UK commercial property, predominately in the office sector in major regional centres and urban areas outside of the M25 motorway.

Borrowings

The Group targets a ratio of net borrowings to Gross Investment Properties Value of 40% over the longer term, with a targeted maximum limit of 50%.

Linford Wood Business Park, Milton Keynes

INVESTMENT STRATEGY AND BUSINESS MODEL CONTINUED

Read more about the Principal Risks and Uncertainties facing the Company on pages 49 to 59, which are linked to the Company's strategy as set out below.

Principal Risks and Uncertainties:

- Strategic
- Valuation
- COVID-19
- Economic and political
- Funding
- Tenants
- Financial and tax changes
- Operational
- Accounting, legal and regulatory
- Environmental and efficiency standards

300 Bath Street, Glasgow

Link to Principal Risks

Geographically Diversified Income Focused Portfolio

Our approach

- A distinctive, large and diverse commercial property portfolio.
- An approach that diversifies the investment risk of the portfolio and enables better management of the timing of lease re-gears, new lettings, geography and sector.

How we add value

- The portfolio consists of mainly offices, geographically well spread across the regions of the UK outside of the M25 motorway and with a broad range of tenants.

Progress during the year

- 154 properties (2021: 168), 1,552 units (2021: 1,511) and 1,076 tenants (2021: 1,077) as at 31 December 2022.
- The largest single property is only 3.0% of the Gross Investment Properties value (2021: 3.0%) and the largest tenant only 2.4% of Gross Rental Income (2021: 2.5%).
- England & Wales represent 83.3% of the Gross Investment Properties value (2021: 81.0%); office 91.8% and industrial sites are 3.1% (2021: office 89.8%; industrial 5.1%).

Link to Principal Risks

Investing in Income Producing Assets

Our approach

- The Group has a strict set of investment criteria to invest, predominately, in income producing assets capable of delivering an attractive total return to our Shareholders.

How we add value

- Investment decisions are based on identifying strong underlying fundamentals, including inter alia: prospects for future income growth; sector and geographic prospects; lease length; initial and equivalent yields; and the potential for active asset management.
- Development strictly limited to refurbishment programmes.

Progress during the year

- Rent roll of £71.8 million as at end 2022 (2021: £72.1 million).
- Average rents have increased to £13.65 per sq. ft. (2021: £12.75 per sq. ft.).
- Declared dividends of 6.60pps for 2022 (2021: 6.50pps).

INVESTMENT STRATEGY AND BUSINESS MODEL CONTINUED

Link to Principal Risks

Active Management of the Properties

Our approach

- The Group prides itself on maintaining a close relationship with its tenants and, in the intensive granular management of its properties, a very hands-on approach.
- Our aim is to provide a consistent approach to improving returns, thereby enhancing the quality of the underlying portfolio.

How we add value

- The Asset Manager undertakes all of the principal property management activities in-house and remains close to its tenants, ensuring an immediate understanding of their requirements and enabling better decision-making capability.
- The Asset Manager utilises a range of approaches to each asset, tailoring the project programme for each property.

Progress during the year

- Net capital expenditure of £10.0 million in 2022 (2021: £6.8 million); capital expenditure is recovered through dilapidations, service charges or improved property rental income.
- Active and intense asset management maintained robust EPRA occupancy of 83.4% (2021: 81.8%).

Link to Principal Risks

Opportunistic Approach to the Property Investment

Our approach

- A focus on exploiting pricing inefficiencies and mismatches between regional Core and Core Plus and primary property yields.
- From such opportunities, the Group will acquire, hold and sell commercial real estate that it believes to be mispriced.
- Utilising leverage to build the acquisitions capability of the business.

How we add value

- An opportunistic approach to UK commercial property with recycling of capital from the portfolio refreshment programme and aiming to acquire properties where the Group can add value through the expertise of the Asset Manager.
- Seeking to build the income growth and capital values of properties, taking undermanaged and underinvested properties to being attractive investments to be retained for yield or for disposal.
- An established borrower with long-term relationships in place with a number of UK banks. The Group will exploit opportunities to improve total returns utilising leverage.
- With debt maturing and opportunities to renegotiate existing facilities, the Group aims to reduce its funding costs.

Progress during the year

- Completed acquisitions in 2022 totalled £74.7 million (before costs) and disposals (net of costs) of £84.1 million, with average net initial yields of c. 8.4% and c. 4.9% (including vacant units) 6.3% (excluding vacant units) respectively.
- During 2022, debt facility repayments totalled £38.4 million, new borrowings were £39.2 million, resulting in total borrowings of £440.8 million. The average funding cost (including hedging) was 3.5% (2021: 3.3%).

Link to Principal Risks

Highly Experienced Asset Manager

Our approach

- The Asset Manager has the heritage of a long-established property investment management team.
- LSPIM is based in Glasgow and has a number of offices around the UK, with 73 employees, as at 31 December 2022, working on Regional REIT.

How we add value

- The capabilities and track record of the management team, including knowledge, expertise and established relationships, provide an important competitive advantage for operating in the fragmented UK regional secondary property market. The senior management team of the Asset Manager collectively have over 180 years of property experience, with a proven record of creating value.
- The Asset Manager grew property rental income for a similar portfolio on a like-for-like basis through the 2008-12 recession.

Progress during the year

- Completed 114 new lettings in 2022, totalling 330,173 sq. ft., which when fully occupied will provide a gross rental income of £5.9 million.

Link to Principal Risks

Regions Primed for Growth

Our approach

- The resilient regions are expected to benefit from capital inflows and a strong rebound of the UK economy, which should conflate to ensure occupier demand for offices grows.
- Research from CBRE indicates that regional offices have outperformed in comparison to central London offices, delivering superior income returns of 5.1% in 2022 in comparison to central London office returns of 3.6%, a trend that has been witnessed over the past eight years.

How we add value

- The investment policy focuses on a portfolio of offices located outside of the M25 motorway, broadly based on the region's economic worth and population mix.
- The Group seeks to enhance income growth and capital values through the proactive approach of the Asset Manager.
- The Asset Manager operates through a number of regional offices, implementing a targeted investment policy and individual property asset management plans.

Progress during the year

- EPRA Total Return 24.2% (2021: 41.2%) since IPO and 3.1% annualised in 2022 (2021: 5.8%).

“2022 WAS AN OPERATIONALLY ROBUST YEAR FOR THE COMPANY WITH A FULL YEAR DIVIDEND BEING DECLARED OF 6.6 PENCE PER SHARE THAT WAS FULLY COVERED BY EPRA EARNINGS."

Stephen Inglis

CEO of London & Scottish Property Investment Management,
Asset Manager

Hampshire Corporate Park, Eastleigh

ASSET AND INVESTMENT MANAGERS' REPORT

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

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

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

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

Stephen Inglis

CEO of London & Scottish Property Investment Management,
Asset Manager

ASSET AND INVESTMENT MANAGERS' REPORT
CONTINUED

HIGHLIGHTS FROM 2022

- **High level of rent collection**
  Achieved a high level of rent collection. As at 17 March 2023, rent collection continued to strengthen, with FY 2022 collections increasing to 98.7%, which is similar to the equivalent date for 2021 when 97.7% had been collected.

- **114 new lettings**
  Completed 114 new lettings in 2022, totalling 330,173 sq. ft., which when fully income producing after incentives will provide a gross rental income of c. £5.9 million.

- **£74.7 million of acquisitions**
  Acquisitions in 2022 totalled £74.7 million (before costs) for 6 assets, reflecting an average net initial yield of 8.4%.

- **£84.1 million of disposals**
  Disposals during 2022 totalled £84.1 million (net of costs), reflecting an average net initial yield of 4.9% (6.3% excluding vacant properties).

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

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

Bear Brook Office Park, Aylesbury

Investment Activity in the UK Commercial Property Market

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

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

Savills research highlights that regional office investment in the second half of 2022 was muted at £1.5 billion. This brought the total regional office investment in 2022, 26.9% below the five-year average[2]. Savills anticipate that regional office investment will remain subdued in short-term. However, some research suggests that confidence is now building among overseas investors as capital values fall and the occupational market remains robust. Additionally, the most recent data from the ONS shows that the UK employment rate rose to 75.6% in the three months to December 2022, up from 75.5% for the same period in 2021[3].

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

Quarterly Investment Volumes

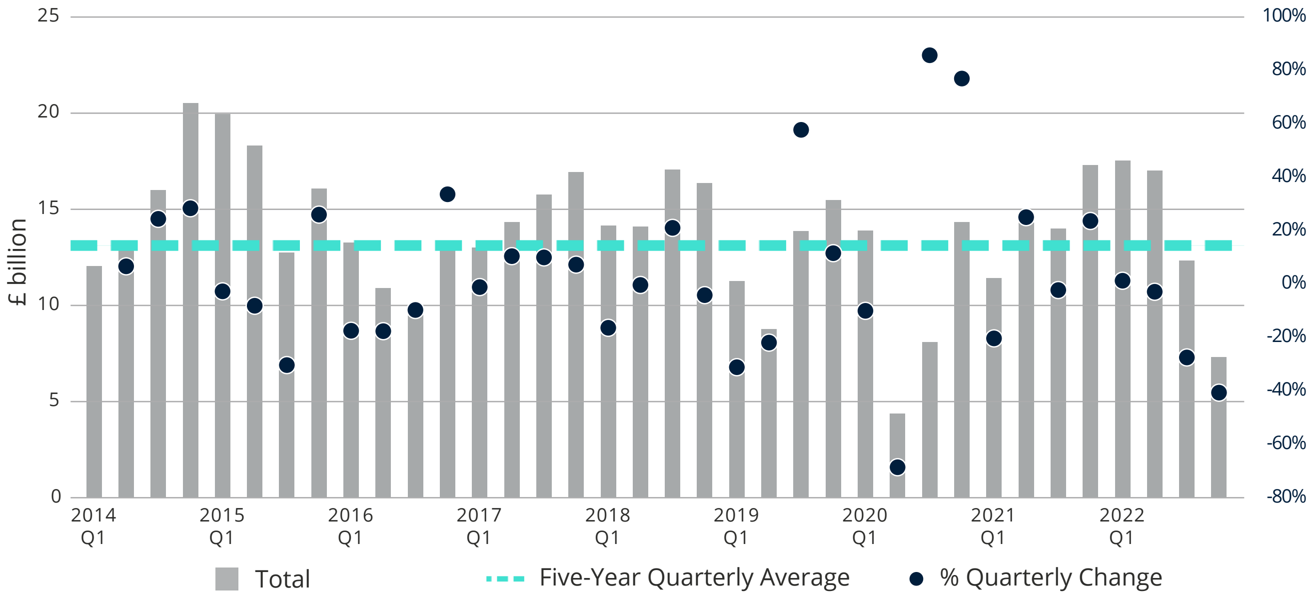


Figure 1: Lambert Smith Hampton Research (February 2023)

1 Lambert Smith Hampton, UKIT Q4 2022
2 Savills, Market In Minutes, Q4 2022
3 ONS, Labour Market Overview, UK – March 2023

ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

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

Research from CBRE[4] indicates that regional offices have outperformed in comparison to central London offices, delivering superior income returns of 5.1% in 2022 in comparison to central London office returns of 3.6% – a trend that has been witnessed over the past eight years.

4 CBRE Monthly Index, Q4 2022

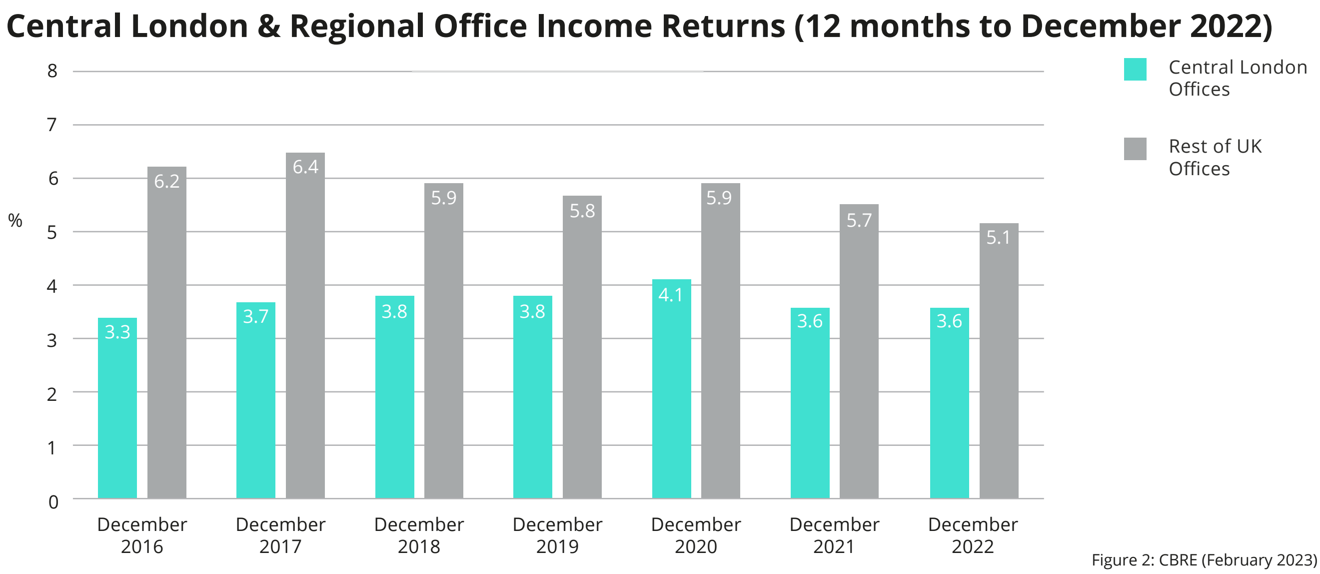
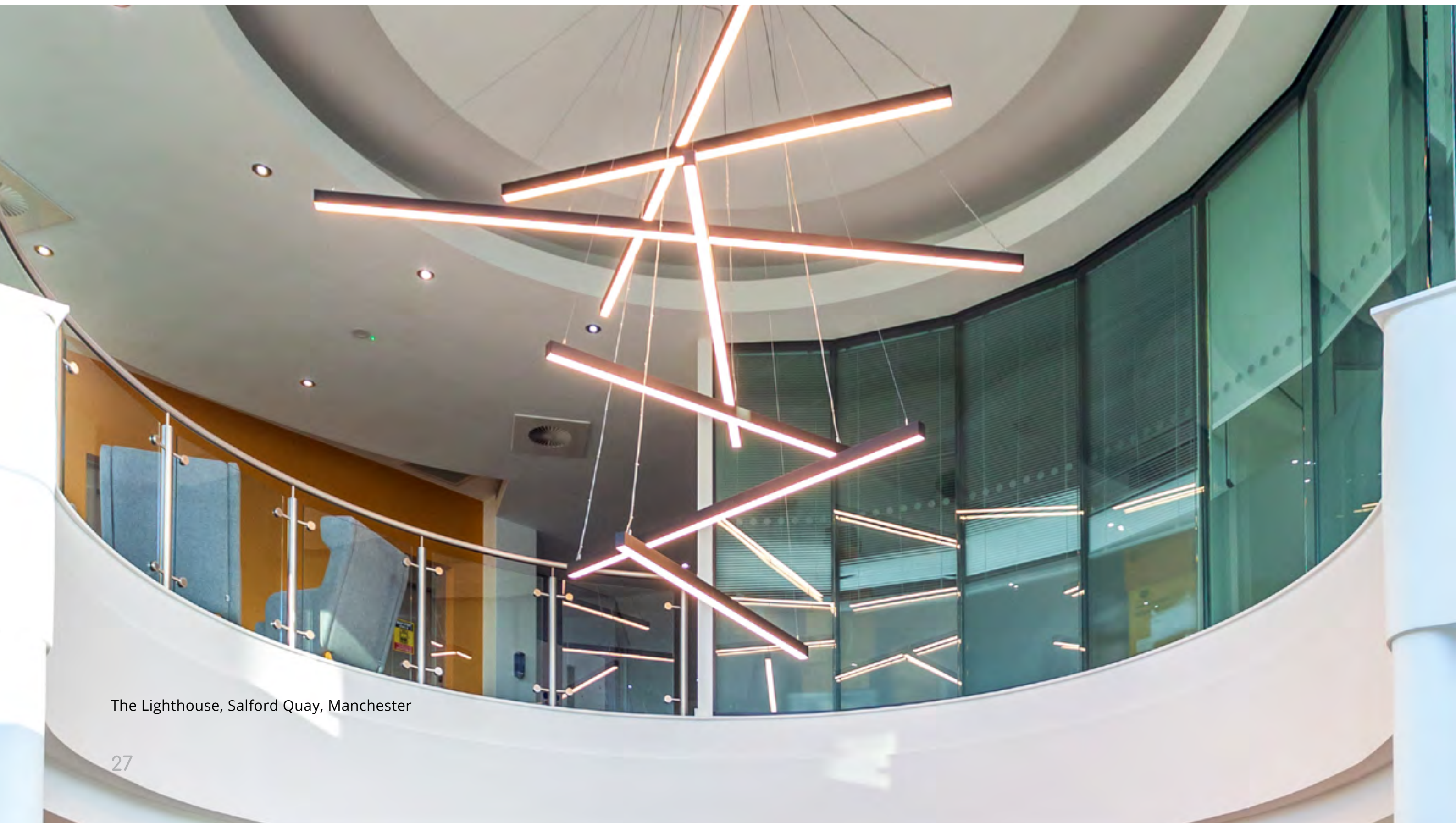


Figure 2: CBRE (February 2023)



The Lighthouse, Salford Quay, Manchester

Occupational Demand in the UK Regional Office Market

Avison Young estimates that take-up of office space across nine regional office markets[5] totalled 8.1 million sq. ft. in 2022; marginally below (0.3%) the level of take-up recorded in 2021 and 3.1% lower than the 5-year average. That said, it is worth noting that take-up in 2022 was 41.4% above the level reported in 2020. Take-up in the final quarter of 2022 was 18.2% above the five-year average at 2.5 million sq. ft., marking the highest quarterly take-up figure in 2022. Approximately 66.9% of take-up in Q4 2022 was transacted in city centres, with 33.1% transacted in the out of town market – both the city centre and out of town markets performed well relative to trend in Q4 2022. Avison Young highlights that occupiers have increasingly sought greater quality space to attract and retain talent.

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

According to Savills, there was marginal decrease in availability for regional office stock across ten regional UK markets[6], with total supply falling by 1.0% in 2022 to 14.4 million sq. ft.. The decrease in supply over the last 12 months has resulted in supply falling 2.2% below the 10-year average. This marks the first year that supply of office stock has decreased after increasing each year since 2019. However, it is worth noting that there was an increase in supply of prime space, which increased by 5.4% in 2022. Therefore, the fall in supply can be attributed to the secondary office supply, which decreased by 4.4% in 2022.

The overall vacancy rate for regional offices ticked upwards from 12.5% in 2021 to 12.6% in 2022 but remains in-line with the 10-year average[7].

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

Regional Supply: Annual Office Supply

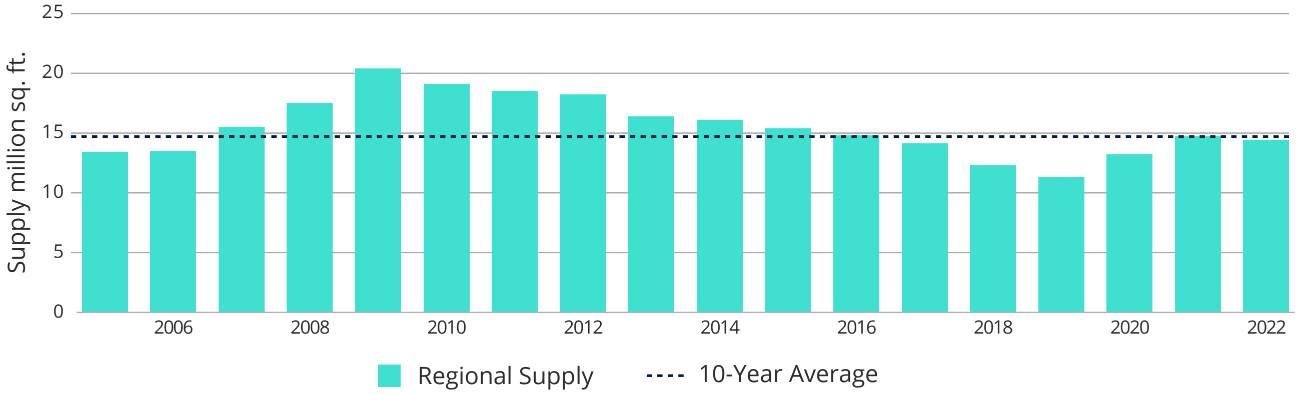


Figure 3: Savills (February 2023)

Vacancy Rates in the Regional Office Market

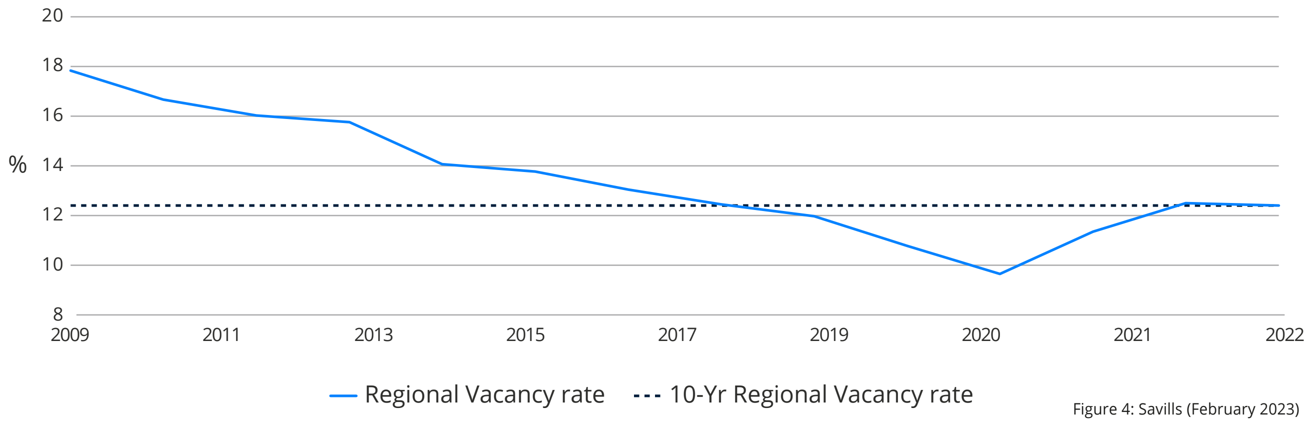


Figure 4: Savills (February 2023)

5 Nine regional office markets mentioned by Avison Young include: Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester & Newcastle.
6 Ten regional office markets mentioned by Savills include: Aberdeen, Birmingham, Bristol, Cambridge, Cardiff, Edinburgh, Glasgow, Leeds, Manchester and Oxford.
7 Savills: The Regional Office Market Overview, Q4 2022.

ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

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

Rental Growth in the UK Regional Office Market

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

Rental Value Growth (vs previous 12 months)

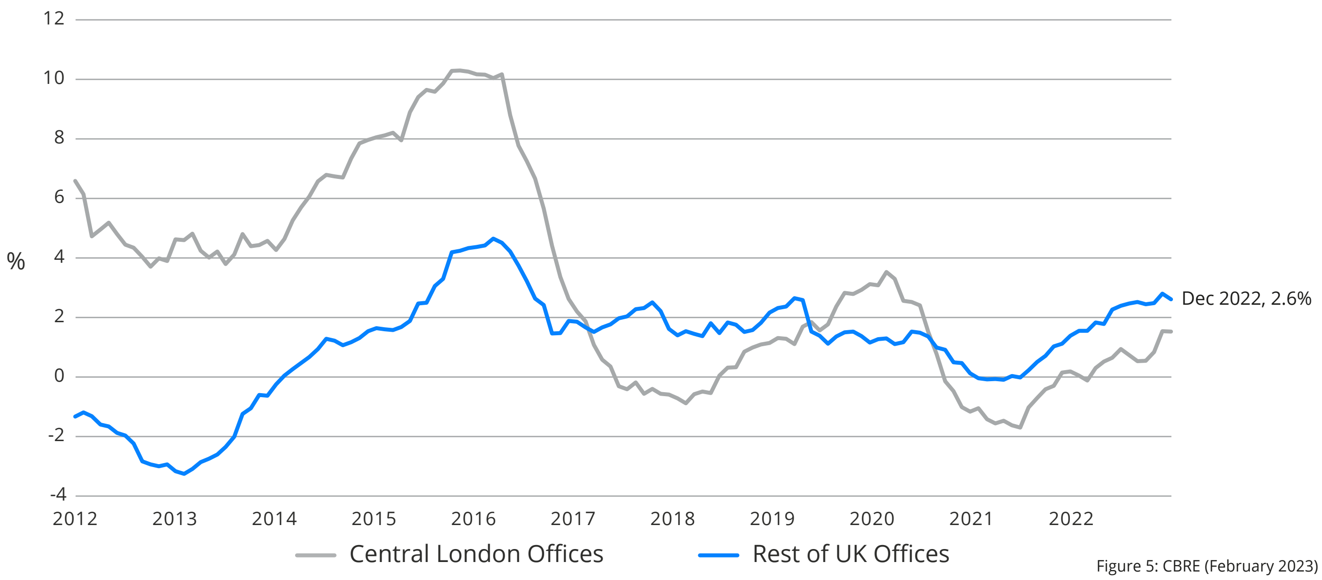


Figure 5: CBRE (February 2023)

Regional REIT's Office Assets

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

Property Portfolio

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

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

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

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

Property Portfolio by Sector

Sector	Properties	Valuation (£m)	% by valuation	Sq. ft. (m)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capital rate (£psf)	Net initial yield (%)	Equivalent yield (%)	Reversionary yield (%)
Office	129	725.1	91.8	5.8	82.8	2.7	65.7	14.50	85.7	125.88	5.9	9.0	10.3
Retail	18	28.5	3.6	0.3	93.7	4.1	3.2	10.59	3.1	85.82	8.5	9.2	10.1
Industrial	4	24.6	3.1	0.4	85.2	5.9	1.9	5.27	2.2	58.64	5.5	8.0	8.7
Other	3	11.4	1.4	0.1	93.6	10.2	0.9	15.20	0.9	117.75	6.9	8.5	9.7
Total	**154**	**789.5**	**100.0**	**6.6**	**83.4**	**3.0**	**71.8**	**13.65**	**92.0**	**119.48**	**6.0**	**9.0**	**10.2**

Property Portfolio by Region

Region	Properties	Valuation (£m)	% by valuation	Sq. ft. (m)	Occupancy (EPRA) (%)	WAULT to first break (yrs)	Gross rental income (£m)	Average rent (£psf)	ERV (£m)	Capital rate (£psf)	Net initial yield (%)	Equivalent yield (%)	Reversionary yield (%)
Scotland	38	131.6	16.7	1.3	76.7	3.4	11.8	13.46	17.3	103.84	4.7	9.8	11.7
South East	27	153.1	19.4	1.0	76.5	2.6	12.2	16.23	16.9	148.93	4.9	8.5	9.7
North East	24	126.1	16.0	1.1	86.9	3.3	11.7	12.88	14.2	117.84	5.8	9.2	10.4
Midlands	26	159.1	20.2	1.4	90.3	3.2	15.4	13.13	18.7	113.25	6.3	9.0	10.0
North West	19	106.8	13.5	0.9	79.4	2.3	9.9	13.17	12.9	115.03	6.6	9.1	10.5
South West	14	73.1	9.3	0.5	92.3	2.0	7.0	16.44	7.9	154.49	7.7	8.5	9.6
Wales	6	39.6	5.0	0.4	91.3	4.3	3.8	10.23	4.0	91.02	7.3	8.3	9.2
Total	**154**	**789.5**	**100.0**	**6.6**	**83.4**	**3.0**	**71.8**	**13.65**	**92.0**	**119.48**	**6.0**	**9.0**	**10.2**

* Tables may not sum due to rounding

ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

Top 15 Investments (market value) as at 31 December 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, London & Scottish Property Investment Management	23.6	3.0	156,853	89.1	1.2	1.7	2.9
Buildings 2 & 3, Bear Brook Office Park, Aylesbury	Office	Utmost Life and Pensions Ltd, Agria Pet Insurance Ltd, International Fire Consultants Ltd	20.9	2.6	140,791	100.0	0.8	1.1	4.0
Hampshire Corporate Park, Eastleigh	Office	Aviva Central Services UK Ltd, Lloyd's Register EMEA, Complete Fertility Ltd, National Westminster Bank Plc	19.5	2.5	84,043	99.8	1.7	2.3	4.0
Eagle Court, Coventry Road, Birmingham	Office	Virgin Media Ltd, Rexel UK Ltd, Coleshill Retail Ltd	19.4	2.5	132,979	82.6	2.0	2.8	0.9
Beeston Business Park, Nottingham	Office/ Industrial	Metropolitan Housing Trust Ltd, SMS Electronics Ltd, Heart Internet Ltd	17.2	2.2	215,330	100.0	1.4	2.0	5.6
800 Aztec West, Bristol	Office	NNB Generation Company (HPC) Ltd, Edvance SAS	16.5	2.1	73,292	100.0	1.5	2.1	1.4
Orbis 1, 2 & 3, Pride Park, Derby	Office	First Source Solutions UK Ltd, DHU Health Care C.I.C., Tentamus Pharma (UK) Ltd	16.5	2.1	121,883	100.0	1.8	2.5	4.4
Norfolk House, Smallbrook Queensway, Birmingham	Office	Global Banking School Ltd, Accenture (UK) Ltd, HP Asia Ltd	15.6	2.0	115,780	100.0	1.4	1.9	7.2
Linford Wood Business Park, Milton Keynes	Office	IMServ Europe Ltd, Market Force Information (Europe) Ltd, Autotech Recruit Ltd	15.1	1.9	107,352	92.2	1.5	2.1	2.0
Manchester Green, Manchester	Office	Chiesi Ltd, Ingredion UK Ltd, Assetz SME Capital Ltd, Contemporary Travel Solutions Ltd	14.7	1.9	107,760	80.6	1.4	1.9	2.4
Capitol Park, Leeds	Office	Hermes Parcelnet Ltd, NHS Shared Business Services Ltd, BDW Trading Ltd	14.0	1.8	98,340	82.4	1.3	1.8	2.8
Portland Street, Manchester	Office	Evolution Money Group Ltd, Mott MacDonald Ltd, NCG (Manchester) Ltd, Simard Ltd	13.1	1.7	55,787	95.5	1.1	1.5	2.9
Ashby Park, Ashby De La Zouch	Office	Ceva Logistics Ltd, Brush Electrical Machines Ltd, Ashfield Healthcare Ltd	12.7	1.6	91,034	100.0	0.9	1.2	4.0
Templeton On The Green, Glasgow	Office	The Scottish Ministers, The Scottish Sports Council, Noah Beers Ltd, The Wise Group	12.1	1.5	142,520	92.9	1.3	1.8	4.3
The Lighthouse – Salford Quays, Manchester	Office	Pearson Education Ltd, EQUANS Regeneration Ltd	11.8	1.5	64,275	54.6	0.7	1.0	1.8
Total			**242.7**	**30.7**	**1,708,019**	**90.6**	**19.9**	**27.8**	**3.3**

* Tables may not sum due to rounding

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

Tenant	Property	Sector	WAULT to first break (years)	Lettable area (Sq. Ft.)	Annualised gross rent (£m)	% of gross rental income
Virgin Media Limited	Eagle Court, Coventry Road, Birmingham Southgate Park, Peterborough	Information and communication	1.0	107,830	1.7	2.4
TUI Northern Europe Ltd	Columbus House, Coventry	Professional, scientific and technical activities	1.0	53,253	1.4	1.9
NHS	Aspect House, Bennerley Road, Nottingham Capitol Park, Leeds Equinox North, Almondsbury, Bristol Park House, Bristol St James Court, Bristol Wren House, Chelmsford	Public sector	1.4	85,324	1.3	1.8
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	4.2	108,915	1.1	1.5
EDF Energy Limited	Endeavour House, Sunderland	Electricity, gas, steam and air conditioning supply	7.8	77,565	1.0	1.4
First Source Solutions UK Ltd	Orbis 1, 2 & 3, Pride Park, Derby	Administrative and support service activities	4.3	62,433	1.0	1.4
E.ON UK Plc	Two Newstead Court, Nottingham	Electricity, gas, steam and air conditioning supply	2.3	99,142	0.9	1.3
John Menzies Plc	2 Lochside Avenue, Edinburgh	Professional, scientific and technical activities	0.6	43,780	0.9	1.2
NNB Generation Company (HPC) Ltd	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	1.1	41,743	0.9	1.2
Global Banking School Limited	Norfolk House, Smallbrook Queensway, Birmingham	Education	9.9	44,245	0.8	1.2
SPD Development Co Ltd	Clearblue Innovation Centre, Bedford	Professional, scientific and technical activities	2.8	58,167	0.8	1.1
Aviva Central Services UK Limited	Hampshire Corporate Park, Eastleigh	Other service activities	1.9	42,612	0.8	1.1
Odeon Cinemas Ltd	Kingscourt Leisure Complex, Dundee	Information and communication	12.8	41,542	0.7	1.0
SpaMedica Limited	1175 Thorpe Park, Leeds Albert Edward House, Preston lll Acre, Princeton Drive, Stockton On Tees Fairfax House, Wolverhampton Southgate Park, Peterborough The Foundation Chester Business Park, Chester	Human health and social work activities	3.4	50,656	0.7	1.0
Edvance SAS	800 Aztec West, Bristol	Electricity, gas, steam and air conditioning supply	1.7	31,549	0.7	0.9
Total			**3.4**	**948,756**	**14.8**	**20.6**

* Tables may not sum due to rounding

ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

Property Portfolio Sector and Region Splits by Valuation and Income as at 31 December 2022

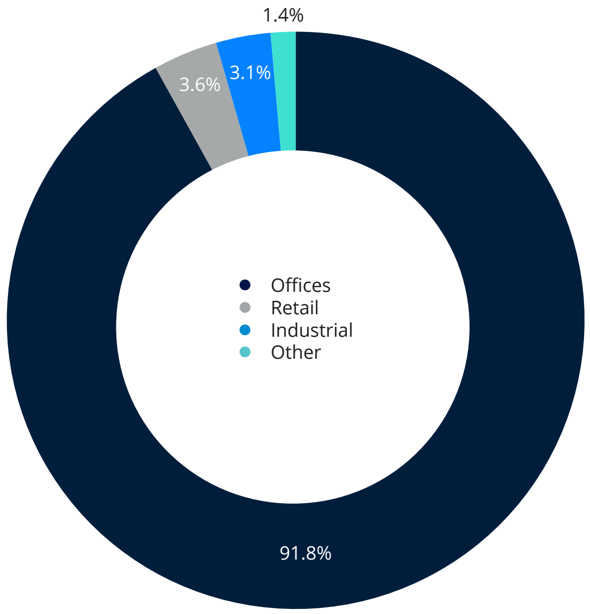
By Valuation

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

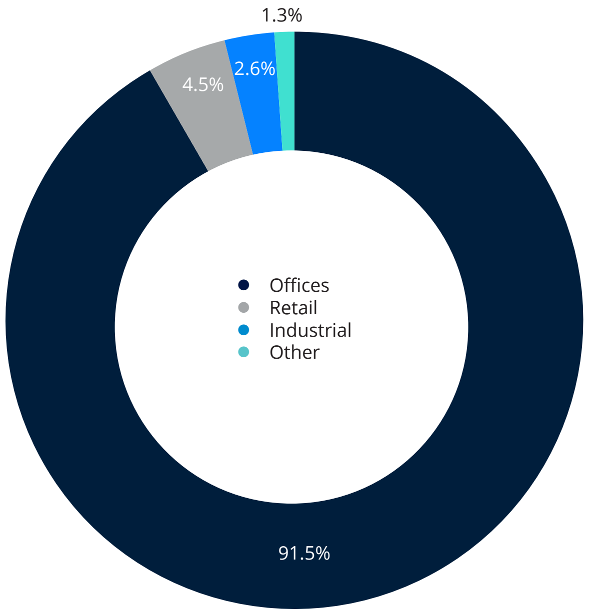
By Income

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

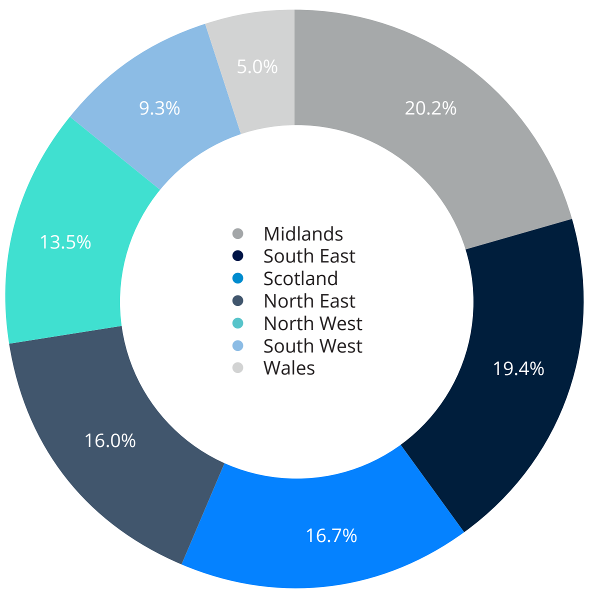
Sector Split by Valuation



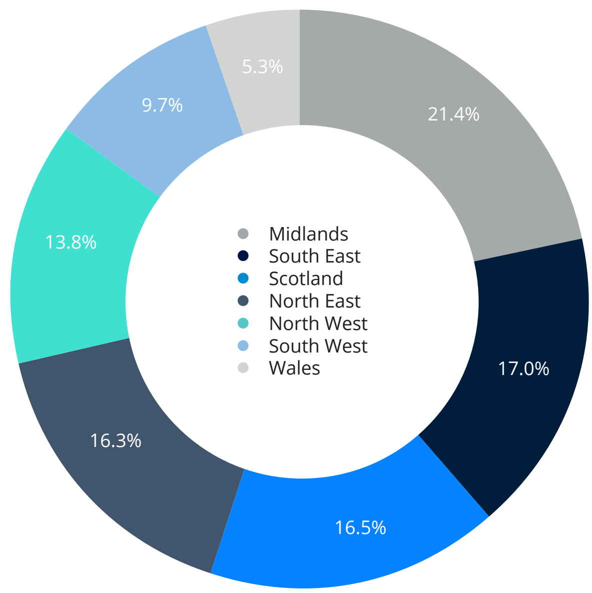
Sector Split by Income



Regional Split by Valuation



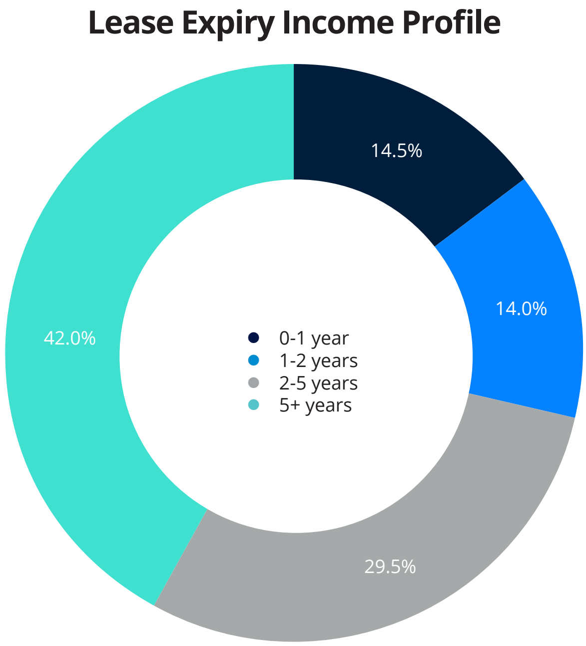
Regional Split by Income

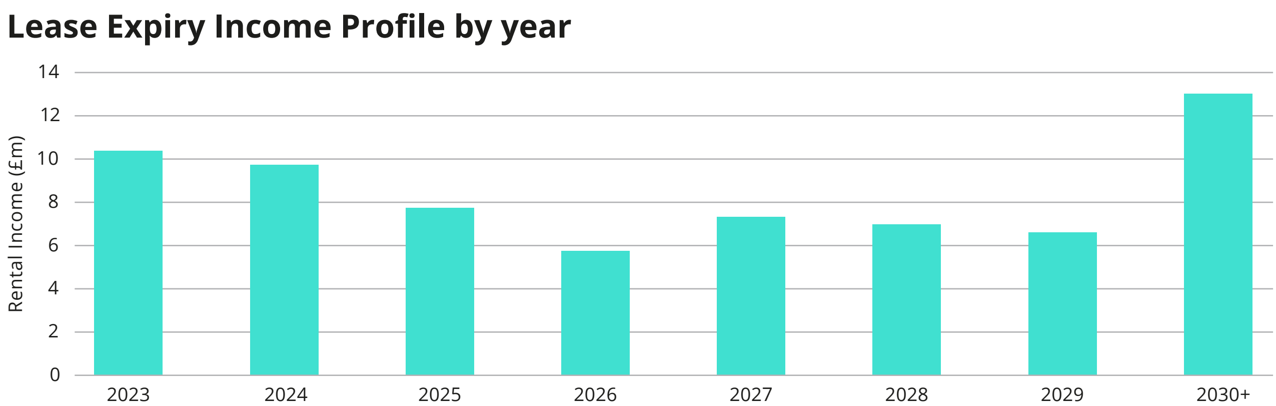


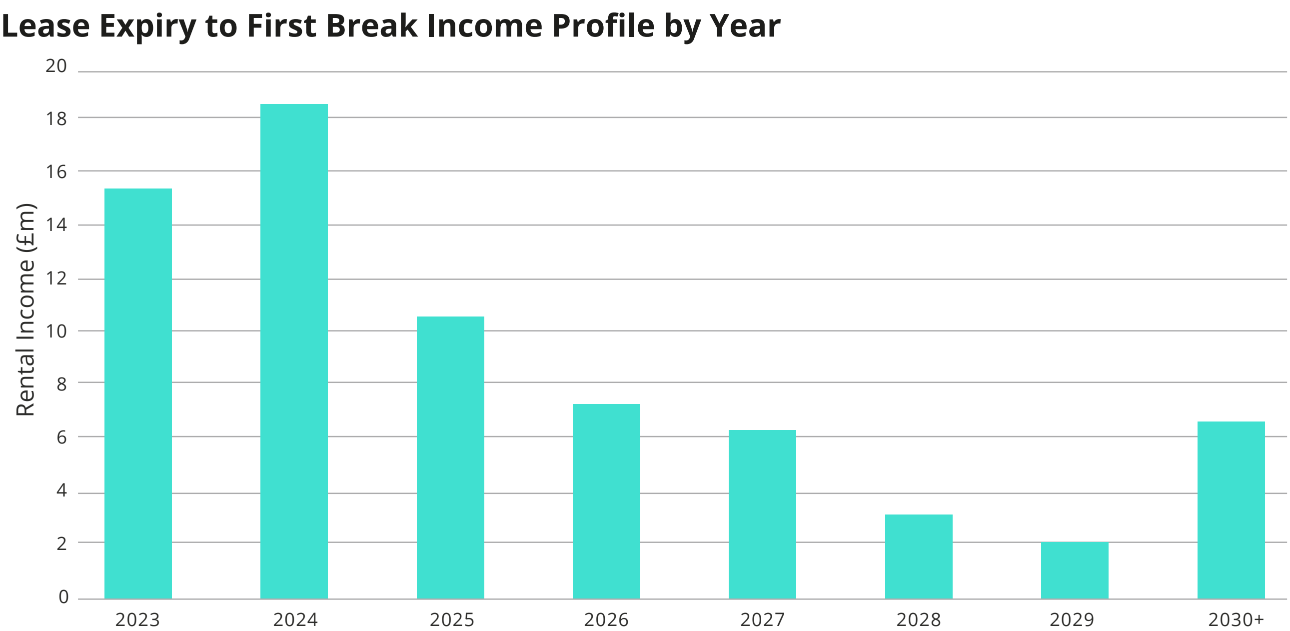
Source: LSPIM.
Charts may not sum due to rounding.

Lease Expiry Profile

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







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

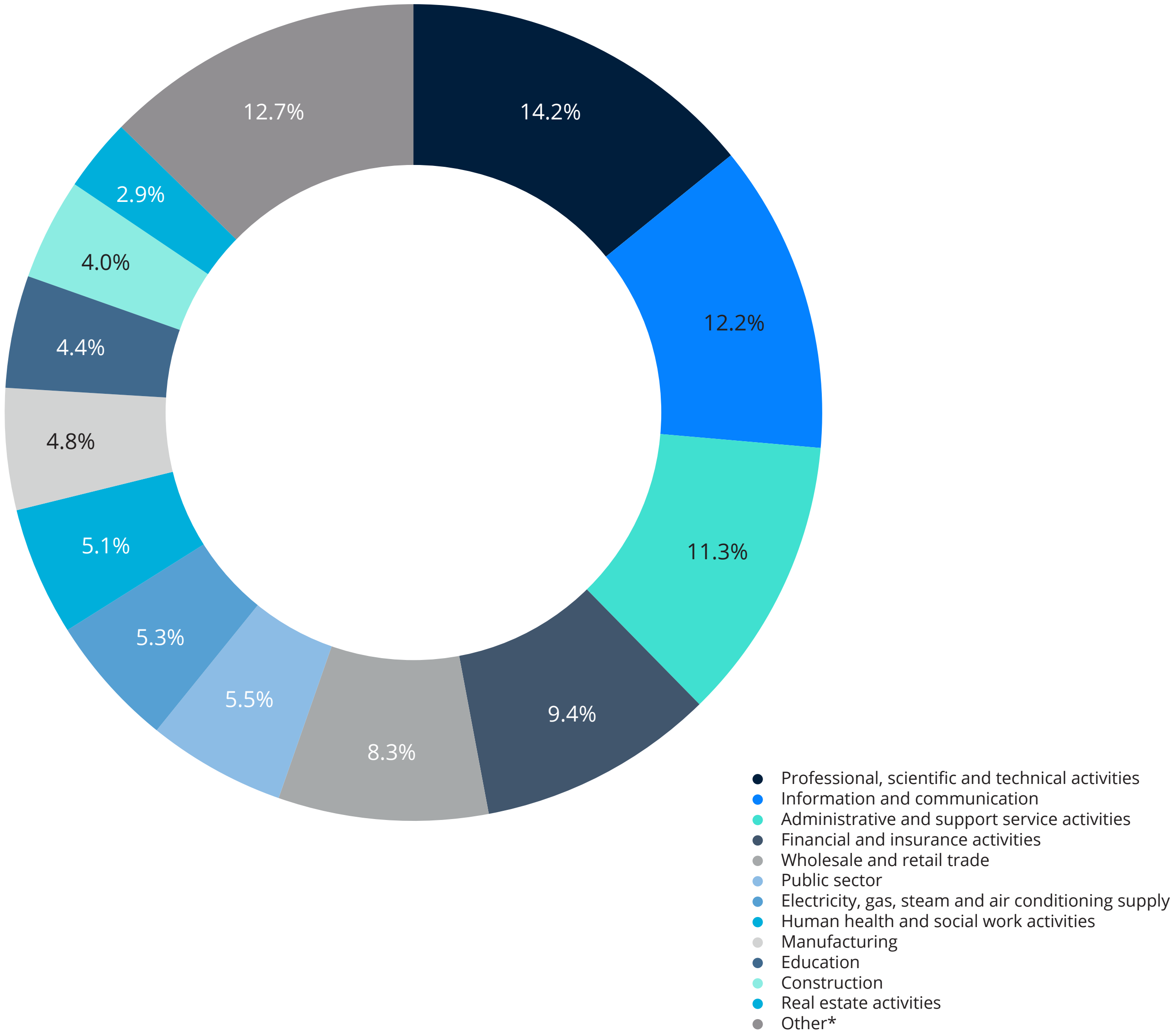
ASSET AND INVESTMENT MANAGERS' REPORT CONTINUED

Tenants by Standard Industrial Classification as at 31 December 2022

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

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

Tenants by SIC Codes (% of gross rent)



Source: LSPIM
Chart may not sum due to rounding.

* Other – Accommodation and food service activities, arts, entertainment and recreation, charity, construction, education, mining and quarrying, not specified, public administration and defence, compulsory social security, real estate activities, registered Society, residential, sole trader, transportation and storage, water supply, sewerage, waste management and remediation activities, and motorcycles.

PROPERTY PORTFOLIO

Top 15 Properties

1. 300 Bath Street, Glasgow

Market value (£million)	**23.6**
Sector	**Office**
Annualised gross rent (£million)	**1.2**
Lettable area (Sq. Ft.)	**156,853**
Anchor tenants	**University of Glasgow, Glasgow Tay House Centre Ltd, Fairhurst Group LLP, London & Scottish Property Investment Management**
EPRA Occupancy (%)	**89.1**
WAULT (years) (to first break)	**6.9 (2.9)**

2. Buildings 2 & 3, Bear Brook Office Park, Aylesbury

Market value (£million)	**20.9**
Sector	**Office**
Annualised gross rent (£million)	**0.8**
Lettable area (Sq. Ft.)	**140,791**
Anchor tenants	**Utmost Life and Pensions Ltd, Agria Pet Insurance Ltd, International Fire Consultants Ltd**
EPRA Occupancy (%)	**100.0**
WAULT (years) (to first break)	**5.0 (4.0)**

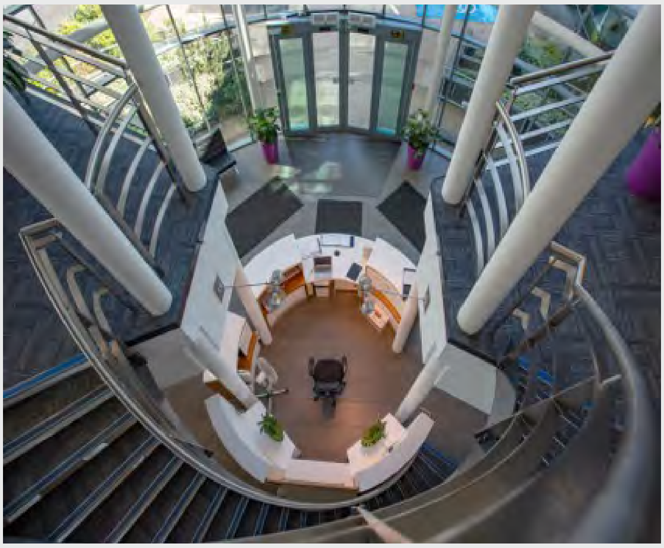
PROPERTY PORTFOLIO CONTINUED

3. Hampshire Corporate Park, Eastleigh

Market value (£million)	**19.5**
Sector	**Office**
Annualised gross rent (£million)	**1.7**
Lettable area (Sq. Ft.)	**84,043**
Anchor tenants	**Aviva Central Services UK Ltd, Lloyd's Register EMEA, Complete Fertility Ltd, National Westminster Bank Plc**
EPRA Occupancy (%)	**99.8**
WAULT (years) (to first break)	**8.8 (4.0)**

4. Eagle Court, Coventry Road, Birmingham

Market value (£million)	**19.4**
Sector	**Office**
Annualised gross rent (£million)	**2.0**
Lettable area (Sq. Ft.)	**132,979**
Anchor tenants	**Virgin Media Ltd, Rexel UK Ltd, Coleshill Retail Ltd**
EPRA Occupancy (%)	**82.6**
WAULT (years) (to first break)	**1.8 (0.9)**



5. Beeston Business Park, Nottingham

Market value (£million)	**17.2**
Sector	**Office/Industrial**
Annualised gross rent (£million)	**1.4**
Lettable area (Sq. Ft.)	**215,330**
Anchor tenants	**Metropolitan Housing Trust Ltd, SMS Electronics Ltd, Heart Internet Ltd**
EPRA Occupancy (%)	**100.0**
WAULT (years) (to first break)	**8.5 (5.6)**

6. 800 Aztec West, Bristol

Market value (£million)	**16.5**
Sector	**Office**
Annualised gross rent (£million)	**1.5**
Lettable area (Sq. Ft.)	**73,292**
Anchor tenants	**NNB Generation Company (HPC) Ltd, Edvance SAS**
EPRA Occupancy (%)	**100.0**
WAULT (years) (to first break)	**5.8 (1.4)**

PROPERTY PORTFOLIO CONTINUED

7. Orbis 1, 2 & 3, Pride Park, Derby

Market value (£million)	**16.5**
Sector	**Office**
Annualised gross rent (£million)	**1.8**
Lettable area (Sq. Ft.)	**121,883**
Anchor tenants	**First Source Solutions UK Ltd, DHU Health Care C.I.C., Tentamus Pharma (UK) Ltd**
EPRA Occupancy (%)	**100.0**
WAULT (years) (to first break)	**6.8 (4.4)**

8. Norfolk House, Smallbrook Queensway, Birmingham

Market value (£million)	**15.6**
Sector	**Office**
Annualised gross rent (£million)	**1.4**
Lettable area (Sq. Ft.)	**115,780**
Anchor tenants	**Global Banking School Ltd, Accenture (UK) Ltd, HP Asia Ltd**
EPRA Occupancy (%)	**100.0**
WAULT (years) (to first break)	**10.5 (7.2)**

9. Linford Wood Business Park, Milton Keynes

Market value (£million)	**15.1**
Sector	**Office**
Annualised gross rent (£million)	**1.5**
Lettable area (Sq. Ft.)	**107,352**
Anchor tenants	**IMServ Europe Ltd, Market Force Information (Europe) Ltd, Autotech Recruit Ltd**
EPRA Occupancy (%)	**92.2**
WAULT (years) (to first break)	**2.4 (2.0)**

10. Manchester Green, Manchester

Market value (£million)	**14.7**
Sector	**Office**
Annualised gross rent (£million)	**1.4**
Lettable area (Sq. Ft.)	**107,760**
Anchor tenants	**Chiesi Ltd, Ingredion UK Ltd, Assetz SME Capital Ltd, Contemporary Travel Solutions Ltd**
EPRA Occupancy (%)	**80.6**
WAULT (years) (to first break)	**4.2 (2.4)**

PROPERTY PORTFOLIO CONTINUED

11. Capitol Park, Leeds

Market value (£million)	**14.0**
Sector	**Office**
Annualised gross rent (£million)	**1.3**
Lettable area (Sq. Ft.)	**98,340**
Anchor tenants	**Hermes Parcelnet Ltd, NHS Shared Business Services Ltd, BDW Trading Ltd**
EPRA Occupancy (%)	**82.4**
WAULT (years) (to first break)	**2.8 (2.8)**

12. Portland Street, Manchester

Market value (£million)	**13.1**
Sector	**Office**
Annualised gross rent (£million)	**1.1**
Lettable area (Sq. Ft.)	**55,787**
Anchor tenants	**Evolution Money Group Ltd, Mott MacDonald Ltd, NCG (Manchester) Ltd, Simard Ltd**
EPRA Occupancy (%)	**95.5**
WAULT (years) (to first break)	**5.3 (2.9)**

13. Ashby Park, Ashby De La Zouch

Market value (£million)	**12.7**
Sector	**Office**
Annualised gross rent (£million)	**0.9**
Lettable area (Sq. Ft.)	**91,034**
Anchor tenants	**Ceva Logistics Ltd, Brush Electrical Machines Ltd, Ashfield Healthcare Ltd**
EPRA Occupancy (%)	**100.0**
WAULT (years) (to first break)	**4.4 (4.0)**

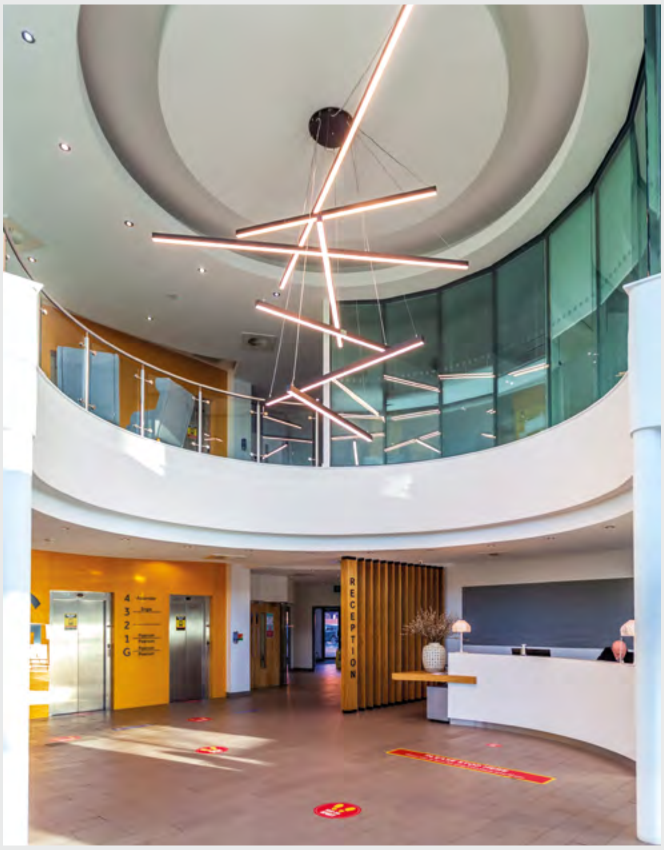
14. Templeton on the Green, Glasgow

Market value (£million)	**12.1**
Sector	**Office**
Annualised gross rent (£million)	**1.3**
Lettable area (Sq. Ft.)	**142,520**
Anchor tenants	**The Scottish Ministers, The Scottish Sports Council, Noah Beers Ltd, The Wise Group**
EPRA Occupancy (%)	**92.9**
WAULT (years) (to first break)	**5.2 (4.3)**

PROPERTY PORTFOLIO CONTINUED

15. The Lighthouse, Salford Quays, Manchester

Market value (£million)	**11.8**
Sector	**Office**
Annualised gross rent (£million)	**0.7**
Lettable area (Sq. Ft.)	**64,275**
Anchor tenants	**Pearson Education Ltd, EQUANS Regeneration Ltd**
EPRA Occupancy (%)	**54.6**
WAULT (years) (to first break)	**3.2 (1.8)**



FINANCIAL REVIEW

Net Asset Value

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

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

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

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

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

* Further details of the new EPRA performance measures can be found on page 165.

FINANCIAL REVIEW CONTINUED

31 December 2022 EPRA Net Tangible Asset – Bridge

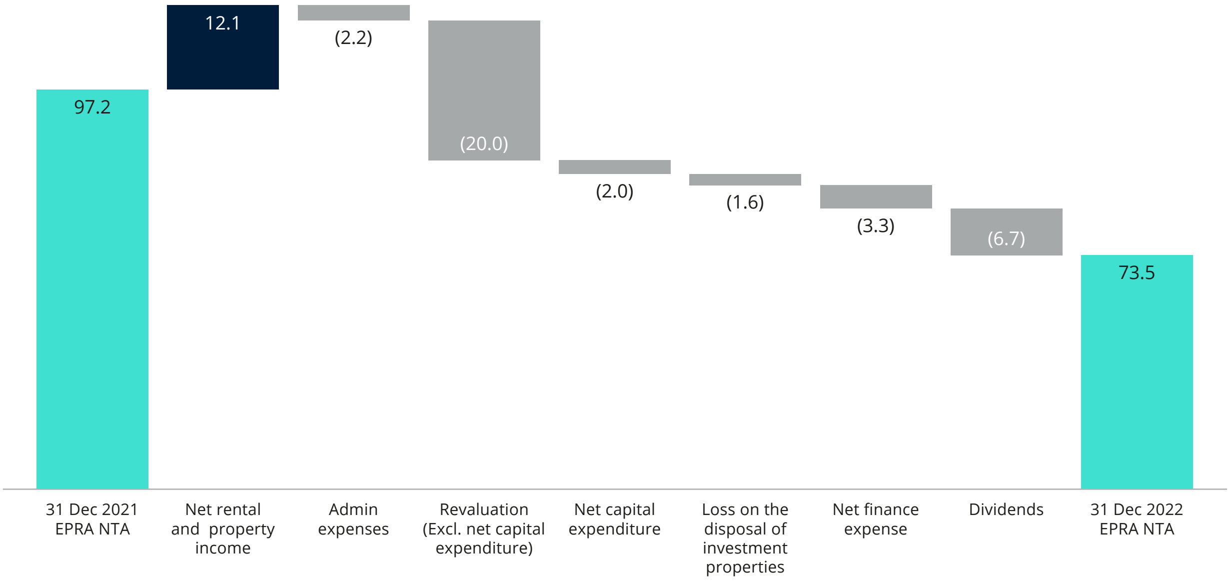


Table may not sum due to rounding
Source: Toscafund

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

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

Table may not sum due to rounding

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

Income Statement

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

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

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

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

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

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

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

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

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

Dividend

In relation to the year from 1 January 2022 to 31 December 2022, the Company declared dividends totalling 6.60pps (2021: 6.50pps). Since the end of the year, the Company has declared a dividend for the fourth quarter of 2022 of 1.65pps. A schedule of dividends can be found on page 176.

* Alternative Performance Measures. Details are provided in the Glossary of Terms on pages 170 to 172 and the ERPA Performance Measures on pages 165 to 168.

Endeavour House, Sunderland

FINANCIAL REVIEW CONTINUED

Debt Financing and Gearing

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

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

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

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

Debt Profile and LTV Ratios as at 31 December 2022

Lender	Original facility £'000	Outstanding debt* £'000	Maturity date	Gross loan to value** %	Annual interest rate %	
Royal Bank of Scotland, Bank of Scotland & Barclays	128,000	125,676	Aug-26	50.8	2.40	over 3mth £ SONIA
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	165,000	165,000	Dec-27	52.0	3.28	Fixed
Scottish Widows Ltd.	36,000	36,000	Dec-28	42.2	3.37	Fixed
Santander UK	65,870	64,116	Jun-29	44.9	2.20	over 3mth £ SONIA
	394,870	390,792				
Retail eligible bond	50,000	50,000	Aug-24	NA	4.50	Fixed
	444,870	440,792				

Table may not sum due to rounding

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

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

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

* Before unamortised debt issue costs
** Based on Cushman and Wakefield property valuations

Hedging

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

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

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

Table may not sum due to rounding

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

Tax

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk Framework and Approach

The Board has overall responsibility for the Company's system of risk management and internal controls. The Board recognises the importance of identifying and actively monitoring its risks, which include, but are not limited to: strategic, valuation, COVID-19, economic and political, funding, tenant, financial and tax charges, operational, regulatory, and environmental risks. Over the long term, the business will face other challenges and emerging threats for which it remains vigilant.

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

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

Approach to Managing Risk – Identification, Evaluation and Mitigation

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

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

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

Hudson House, Derby

Risk Management Approach

Risk Governance

Top-down

Oversight, identification, assessment and mitigation of risk

Board

- Responsible for regular oversight of risk management and for determining risk appetite
- Oversees the internal control framework and determines the nature and extent of the principal risks the Company is willing to assume in order to achieve its longer-term strategic objectives
- Monitors the application of the Company's risk framework
- Cascades risk appetite throughout the Company and its service providers
- Provides strategic guidance to the Asset and Investment Manager regarding risk

Audit Committee

- Responsible for the integrity of financial statements and internal controls
- Supports the Board in risk identification and management
- Ensures transparency and effective oversight of financial risk
- Responsible for ensuring oversight of the process by which risks relating to the Company and its operations are managed
- Provides independent oversight of the effectiveness of the Company's risk management and associated internal control environment
- Reviews the risk matrix at least bi-annually
- Reviews the effectiveness of the risk management framework and internal control systems, including the financial, operational and compliance processes and controls that are in place at the Company's service providers to mitigate risk

Management, Engagement and Remuneration Committee

- Reviews performance and makes recommendations regarding the ongoing appointment of all service providers to monitor and ensure effective performance across the organisation and mitigate any risks as appropriate
- Recommends and monitors Director's remuneration and appropriateness of fee levels and ongoing appointment of the Directors

Nomination Committee

- Considers and formulates succession planning for the Board to ensure the effective functioning of the Board and the long-term success of the Company

Risk Management

Bottom-up

Identification, assessment and mitigation of risk at day-to-day operational level

Asset and Investment Manager

- Assist with the identification, monitoring and assessment of principal and emerging risks
- Monitor and evaluate risks and risk response plans against risk appetite and tolerance levels
- Provide risk information and assurance
- Provide guidance and training
- Facilitate risk escalations
- Design, implement and evaluate the risk management and internal control systems of the Company and ensure its operational effectiveness

ESG Working Party

- Identifies, manages, mitigates or where possible eliminates ESG risks
- Ensures compliance with relevant statutory, regulatory and legal ESG requirements
- Ensures compliance with ESG guidance and industry best practice
- Responsible for the Company's sustainability policy and associated KPIs

Risk Assurance

Independent verification

External Audit

- Provides assurance on effectiveness of the risk programme, testing of key controls and risk response plans for principal and emerging risks

Other service providers

- Provide additional guidance and support as appropriate

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk Appetite

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

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

Changes to the Principal Risks

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

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

Emerging Risks

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

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

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

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

Portland Street, Manchester

Principal Risk Summary

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

Read more about the Company's business model and strategy on pages 17 to 22, which are listed below:

Regions primed for growth

Investing in income producing assets

Geographically diverse portfolio

Active management of the properties

Highly experienced asset manager

Opportunistic approach to the property market

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

1. Strategic

Movement in the period

Link to strategy

Potential Impact	Mitigation	Movement in the period
An inappropriate investment strategy, and/or failure to implement the strategy could result in lower income and capital returns to Shareholders.	• A clearly defined investment strategy, which is reviewed annually. • A defined and rigorous investment appraisal process. • Acquire portfolios, which offer Shareholders diversification of investment risk by investing in a range of geographical areas and number of properties. • Supply and demand market information is reviewed continuously to assist in acquisitions and disposals. • All the above steps are monitored to ensure the strategy is implemented.	• The property portfolio remains balanced across a range of geographical areas and a large number of investment properties.
	• Predominately, acquiring office properties in the UK and outside of the M25 motorway. However, the Group may invest in property portfolios in which up to 50% of the properties (by market value) are situated within the M25 motorway.	• The Group continues to purchase properties in the UK outside the M25 motorway.
	• No single property, in the ordinary course of business, is expected to exceed 10% of the Group's aggregate Investment Properties valuation. However, the Board may, in exceptional circumstances, consider a property having a value of up to 20% of the Group's investment property value at the time of investment.	• 300 Bath Street (2021: 300 Bath Street) is the highest valued property, which equates to 3.0% (2021: 3.0%) of the Group's investment properties.
	• No more than 20% of the Group's investment property value shall be exposed to any single tenant or group undertaking of that tenant.	• The Group's largest single tenant exposure is 2.4% (2021: 2.5%) of gross rental income, being Virgin Media Ltd (2021: Virgin Media Ltd.).
	• Speculative development (i.e., properties under construction, but excluding any refurbishment works, which have not been pre-let) is prohibited.	• No speculative construction was undertaken during the year under review.
	• The value of the properties is protected as far as possible by an active asset management programme, which is regularly reviewed against the business plan for each property.	• The Asset Manager continues to actively manage the investment properties in accordance with market conditions and the individual asset programme.

2. Valuation

Movement in the period

Link to strategy

Potential Impact	Mitigation	Movement in the period
The valuation of the Group's portfolio affects its profitability and net assets.	• The Company's external valuer, Cushman & Wakefield, provide independent valuations for all properties on a six-monthly basis in accordance with the RICS Red Book. • The Audit Committee has the opportunity to discuss the basis of the valuations with the external valuer. The Audit Committee membership includes an experienced chartered surveyor. • The Asset Manager's experience and extensive knowledge of the property market. The Asset Manager is able to challenge the external valuers' findings. • The Company's Auditor engages an independent third party to evaluate the Cushman & Wakefield valuation.	• Cushman & Wakefield independently provides the valuation for the entire portfolio, valuing each individual asset.

3. COVID-19

Movement in the period

Link to strategy

Potential Impact	Mitigation	Movement in the period
The economic disruption resulting from COVID-19 and other societal health issues could continue to impact rental income; the ability of Valuers to discern valuations; the ability to access funding at competitive rates, adherence to banking covenants, maintain a progressive dividend policy, and adhere to the HMRC REIT regime requirements.	• The Asset Manager continues to adapt and, as required, to support tenants. • The property portfolio has been deliberately constituted to ensure a diverse range of tenants by standard industrial classification; which ensured the many tenants, being designated as essential services, continued to operate throughout the COVID-19 pandemic. • Close relationships with lenders ensuring continued dialogue around covenants and ability to access funding as required at competitive rates. • Initial vetting of all third-party providers with annual due diligence reviews, including the review of business continuity capabilities to minimise when remote working has been necessitated.	• The Group has continued to scrutinise all current risk mitigation approaches employed and to work closely with all parties.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

4. Economic and Political

Movement in the period

Link to strategy

Potential Impact	Mitigation	Movement in the period
Significant political events could impact the health of the UK economy, resulting in borrowing constraints, changes in demand by tenants for suitable properties, the quality of the tenants, and ultimately the property portfolio value.	• The Group operates with a sole focus on the UK regions, with no foreign currency exchange exposure. It remains well positioned with a deliberately diverse standard industry classification of tenants generating 1,076 (2021: 1,077) income streams which are located in areas of expected economic growth. • The Board receives advice on macro-economic risks, including Brexit, from the Investment Manager and other advisers and acts accordingly.	• There remains a risk that property valuations and the occupancy market may be impacted by change in the political landscape.

5. Funding

Movement in the period

Link to strategy

Potential Impact	Mitigation	Movement in the period
The Group may not be able to secure further debt or on acceptable terms, which may impinge upon investment opportunities and the ability to grow the Group.	• The Asset Manager has a corporate finance team dedicated to optimising the Group's funding requirements. • Funding options are constantly reviewed with an emphasis on reducing the weighted average cost of capital and lengthening the weighted average debt to maturity. • Borrowings are currently provided by a range of institutions with targeted staggered maturities. • Strong relationships with key long-term lenders. • Continual monitoring of LTV.	• Weighted average debt term decreased to 4.5 years from 5.5 years in 2021. • Weighted average cost of capital, including hedging costs was 3.5% (2021: 3.3%). • LTV increased to 49.5% from 42.4% as at 31 December 2021.
Bank reference interest rates may be set to become more volatile, accompanying volatile inflation.	• Policy of hedging at least 90% of variable interest rate borrowings. Fixed, swapped and capped borrowing amounted to 100.9% (2021: 101.3%) • Borrowings are currently provided by a range of institutions with targeted staggered maturities.	• Continued adherence to the hedging policy.
Breach of covenants within the Group's funding structure could lead to a cancellation of debt funding if the Company is unable to service the debt.	• The Asset Manager's corporate finance team reviews the applicable covenants on a regular basis and these are considered in future operational decisions. • Compliance certificates and requested reports are prepared as scheduled.	• The Group continues to have sufficient headroom against the applicable borrowing covenants.

6. Tenant

Movement in the period

Link to strategy

Potential Impact	Mitigation	Movement in the period
Type of tenant and concentration of tenant could result in lower income from reduced lettings or defaults.	• An active asset management programme with a focus on the Asset Manager working with individual tenants to assess any occupational issues and to manage any potential bad debts. • Diversified portfolio of properties let, where possible, to a large number of low-risk tenants across a wide range of standard industrial classifications throughout the UK. • Potential acquisitions are reviewed for tenant overlap and potential disposals are similarly reviewed for tenant standard industrial classification concentration.	• This risk remains stable in view of the increasing diversification of properties, tenants and geographies in the portfolio. • The tenant mix and their underlying activity has continued to increasingly diversify, with the number of tenants amounting to 1,076 at the year-end (2021:1,077).
A high concentration of lease term maturity and/ or break options could result in a more volatile contracted rent roll.	• The portfolio lease and maturity concentrations are monitored by the experienced Asset Manager to minimise concentration. • There is a focus on securing early renewals and increased lease periods. • The requirement for suitable tenants and the quality of the tenant is managed by the experienced Asset Manager which maintains close relationships with current tenants and with letting agents.	• The WAULT to first break as at 31 December 2022 was 3.0 years (2021: 3.0 years) • The largest tenant is 2.4% (2021: 2.5%) of the gross rental income, being Virgin Media Limited. • The Asset Management team remains vigilant to the financial well-being of our current tenants and continues to liaise with tenants and agents.

7. Financial and Tax Changes

Movement in the period

Link to strategy

Potential Impact	Mitigation	Movement in the period
Changes to the UK REIT and non–REIT regimes tax and financial legislation.	• The Board receives advice on these changes where appropriate and will act accordingly.	• Advice is received from several corporate advisers, including tax adviser Grant Thornton UK LLP and the Group adapts to changes as required.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

8. Operational | **Movement in the period** | **Link to strategy**

Potential Impact	Mitigation	Movement in the period
Business disruption could impinge on the normal operations of the Group.	• The Asset and Investment Managers each have contingency plans in place to ensure there are no disruptions to the core infrastructure which would impinge on the normal operations of the Group.	• Both the Asset and Investment Managers annually review their Disaster and Business Continuity Plans.
	• An annual due diligence exercise is carried out on all principal third-party service providers.	• The annual due diligence visits were undertaken with the Company's principle third-party service providers. • No concerns were identified from the visits.
	• As an externally managed investment company, there is a continued reliance on the Asset and Investment Managers and other third-party service providers.	• Both the Asset and Investment Manager are viable going concerns.
	• All acquisitions undergo a rigorous due diligence process and all multi-let properties undergo an annual comprehensive fire risk. • The impact of physical damage and destruction to investment properties is mitigated by ensuring all are covered by a comprehensive building, loss of rent and service charge plus terrorism insurance with the exception of a small number of "self-insure" arrangements covered under leases.	• The Asset Manager continues to monitor changes in Health and Safety regulations, including, where required, COVID-19 social distancing measures. • The Asset Manager reviews the adequacy of insurance cover on an ongoing basis.
Information security and cyber threat resulting in data loss, or negative regulatory, reputational, operational (including GDPR), or financial impact.	• The Asset and Investment Manager each has a dedicated Information Technology team which monitors information security, privacy risk and cyber threats ensuring their respective operations are not interrupted. • As required the building management systems are reviewed for cyber security risk.	• The Managers review the respective Information Technology polices and the material third party service suppliers on as required basis to ensure they reflect current and possible future threats.

9. Accounting, Legal, and Regulatory

Movement in the period

Link to strategy

Potential Impact	Mitigation	Movement in the period
Changes to accounting, legal and/or regulatory legislation, including sanctions could result in changes to current operating processes.	• Robust processes are in place to ensure adherence to accounting, legal and regulatory requirements, including sanctions and Listing Rules. • All contracts are reviewed by the Group's legal advisers. • The Administrator, in its capacity as Group Accountant, and the Company Secretary attend all Board meetings in order to be aware of all announcements that need to be made. • All compliance issues are raised with the Financial Adviser.	• The Group continues to receive advice from its corporate advisers and has incorporated changes where required. • The Administrator and Company Secretary continue to attend all Board meetings and advise on Listing Rule requirements in conjunction with the Corporate Broker and Financial Adviser.
Loss of REIT status	• The HMRC REIT regime requirements are monitored by the Asset and Investment Manager, and external advisors including the Company's tax adviser Grant Thornton UK LLP and its sub-administrator Link Alternative Fund Administrators Limited.	• The Group continues to receive advice from external advisers on any anticipated future changes to the REIT regime.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

10. Environmental and Energy Efficiency Standards

Movement in the period

Link to strategy

Potential Impact	Mitigation	Movement in the period
The Group's cost base could be impacted, and management time diverted, due to climate changes and associated legislation.	• The Board receives regular updates on environmental, social, governance and potential legislation changes from its advisers. • The Group has engaged an environmental consultancy to assist with achieving and improving the Global Real Industry Sustainability Benchmark (GRESB).	• Additional attention is currently being devoted to this area to ensure the appropriate approach is applied and embedded in Group activities.
Changes to the environment could impact upon the operations of the Group.	• Property acquisitions undergo a rigorous due diligence process, including an environmental assessment. • The Asset Manager monitors the portfolio for any detrimental environmental impact, by way of frequent inspections of the properties, and the annual insurance review process.	• The rigour of the environmental assessments process continues to be reviewed with the aim of enhancing it.
An Energy Performance Rating of E and below may impact the Group's ability to sell or lease an asset.	• The Group continues to review each property to ensure adherence with Energy Performance Rating requirements. • The energy efficiency of investment acquisitions is fully considered as part of the due diligence process for the acquisition of a property.	• The Asset Manager is continually reviewing the feasibility of enhancing Energy Performance Ratings to exceed the minimum requirement.

Changes to the Principal Risks and Uncertainties

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

GOING CONCERN AND VIABILITY STATEMENT

Going Concern

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

The Group ended the year under review with £50.1 million of cash and cash equivalents, of which £37.8 million was unrestricted cash. The borrowing facilities remained compliant with all loan covenants, with an LTV of c. 49.5%, based upon the value of the Group's investment properties as at 31 December 2022. Rental income collections remained robust with 98.7% of rent invoiced in the year collected as at 17 March 2023*.

Given the substantial amount of unrestricted cash currently held by the Group and, with the next borrowing due to mature being the Company's Retail Eligible Bond in August 2024, the Directors are satisfied that the Group and Company have adequate resources to continue in operational existence for a period of at least 12 months from the date that these Financial Statements were approved.

Based on the above, together with available market information, 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 continue to prepare the Financial Statements on a going concern basis.

Viability Statement

In accordance with the Association of Investment Companies Code of Corporate Governance (the "AIC Code") the Directors have assessed the prospects of the Group and future viability over a three-year period from the year end, being longer than the 12 months required by the going concern provision. The Board conducted the review with regard to the Group's long-term strategy, principal risks and risk appetite, current position, asset performance and future plans. Following this review, the Board determined that three years to 31 December 2025 is the maximum timescale over which the performance of the Group can be forecast with any material degree of accuracy and is therefore an appropriate period over which to consider the Group's viability.

Achievement of the one-year forecast has a greater level of certainty and is used to set near-term targets across the Group. Achievement of the subsequent forecasted years is less certain than the one-year forecast. However, the Board's forecast provides a longer-term outlook against which strategic decisions can be made.

Assessment of Review Period

The Board chose to conduct the review for a three-year period giving consideration to:

- The Group's WAULT of 3.0 years to first break.
- The Group's detailed forecast covering a rolling three-year period.
- The Group's weighted average debt to maturity was 4.5 years as at 31 December 2022.

Assessment of Prospects and Viability

The financial planning process considers the Group's profitability, capital values, LTV, cashflows, dividend cover, banking covenants and other key financial metrics over the three-year period.

Furthermore, the Board, in conjunction with the Audit Committee, carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, strategy, future performance, solvency or liquidity over the three-year period. The risk review process provided the Board with assurance that the mitigations and management systems are operating as intended. The Board believes that the Group is well positioned to manage its principal risks and uncertainties successfully, notwithstanding the current economic and political environment.

The Board's expectation is further underpinned by the regular briefings provided by each of the Asset Manager and Investment Manager. These briefings consider market conditions, investment opportunities, the Company's ability to raise third-party funds and deploy these promptly, changes in the regulatory landscape and current political and economic risks and uncertainties. These risks, and other potential risks which may arise, continue to be closely monitored by the Board.

Confirmation of Viability

The Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years, taking into account the Group's current position and the principal risks and uncertainties.

The Directors have carefully reviewed areas of potential financial risk. The Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for the foreseeable future.

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

"WE BELIEVE IN THE IMPORTANCE OF SUSTAINABILITY AND A RESPONSIBLE APPROACH TO MANAGING OUR PORTFOLIO, ENDEAVOURING TO EMBED ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") IN BOTH OUR TRANSACTIONAL AND OPERATIONAL ACTIVITIES.

Throughout 2022, from the ESG Working Party to the appointment of non-executive director, Massy Larizadeh we have continued to strengthen the Company's ESG capabilities, which we will build upon throughout 2023."

Kevin McGrath
Chairman

Linford Wood Business Park, Milton Keynes

SUSTAINABILITY REPORT
YEAR IN FOCUS

During 2022, the Company continued with its programme of ESG integration across the business, underpinned through its stewardship, in the choices and decisions it makes, and the ways in which it engages with and encourages sustainable practices by others.

Highlights from the year are as follows:

- Appointed non-executive director Massy Larizadeh who has a particular interest in ESG matters.
- The ESG Working Party which comprises of a non-executive board director and members from the Asset and Investment Managers met six times in 2022.
- Improved performance against the Company's sustainability key performance indicators ("KPIs").
- The Asset Manager continued to issue new and updated policies and procedures, and practices were updated to better reflect our sustainability objectives.
- Included ESG criteria within due diligence procedures; in how the Company assesses and manages the performance of its assets and prospective investments; and who is chosen to engage and work with.
- Purposefully engaged with our occupiers by promoting sustainable practices and also in the obligations they commit to; for example, by including green lease clauses within the contractual terms for all new leases issued for agreement.
- Submitted the Company's second GRESB assessment resulting in an increased score to 60 from 52.
- Became a member of Better Buildings Partnership and the UK Green Building Council.
- Issued an EPRA sustainability performance report achieving a bronze award.

SUSTAINABILITY REPORT CONTINUED

Admiral House, Sunderland

Year Ahead

The sustainability landscape continues to evolve at pace with the transition from voluntary reporting to statutory reporting on sustainability. The relevance and importance of sustainability reporting is increasingly evidenced by governments publishing disclosure requirements and aligning with reporting standards, such as those currently being formulated by the International Sustainability Standards Board.

The Company's programme of work for the coming year is mindful of the changing ESG landscape and continues to focus on greater ESG integration across the business, improving its ESG performance, its stewardship and being transparent in how it performs.

Some examples of the programme of work for the year ahead are:

- Detailed review followed by action to manage and improve the Energy Performance Certificates (EPCs) and alignment with the Minimum Energy Efficiency Standard (MEES).
- Tackle areas highlighted for improvement from the 2022 GRESB assessment, with the aim of continuing to improve our GRESB performance against other benchmarks.
- Continue to integrate ESG criteria into due diligence enquiries, the obligations the Company requires from its key suppliers and associates, and in the measurements used to track performance.
- Continue with the energy efficiency strategies to reduce energy consumption and support a low carbon portfolio; source renewable energy supplies; install on-site renewables; upgrade to energy efficient plant and machinery through retrofitting, refurbishment and fit-out, and by encouraging occupiers to adopt their own energy efficient mitigations.
- Continue to support occupiers and suppliers to adopt a more sustainable means of travel by installing electric vehicle charging points and bicycle storage/changing facilities.
- Through the Asset Managers fit-out guide and asset specifications, the Company promote greater circularity, encouraging recycling and reuse, responsible sourcing, the use of low carbon embodied materials, limiting resource use, avoiding virgin raw material use, and eliminating waste to land fill or incineration where possible.
- Transition standard lease terms on renewals and new leases to green leases which include seeking to agree cooperation and reporting obligations on parties to share environmental performance data; allow landlord access to verify environmental performance; impose sustainability criteria on fit-outs, repairs, maintenance and dilapidations; and encourage reductions in resource use.
- Continue with the Asset and Investment Managers work in the community through the charities supported and served, while ensuring they remain the best and most closely aligned to the Company's ESG objectives and outcomes.
- Remote access metering is being installed across the multi-let portfolio allowing for detailed energy data capture. The Company in party with the Company's ESG advisors is establishing a carbon footprint, which will provide the base of the net zero carbon programme.

ESG Working Party Report

The membership of the ESG Working Party is made up of a non-executive director and members of the Asset Manager and the Investment Manager. The Working Party updates the Board on its progress. External ESG and energy consultants are invited to attend and support the ESG Working Party by undertaking specific pieces of work.

The Board has delegated its authorities to the ESG Working Party to:

- Assist the Board in defining and regularly reviewing the Company's strategy relating to ESG and in setting relevant key performance indicators.
- Develop and regularly review the policies, procedures, practices and initiatives relating to ESG matters and ensure they remain effective, relevant and consistent with industry best practice.
- Have oversight of the management of ESG matters and compliance with relevant statutory, regulatory and legal requirements and applicable ESG rules, industry standards and guidelines.
- Have oversight of responses to investor requests on ESG matters.
- Report on these matters to the Board and, where appropriate, make recommendations to them.

In undertaking this role, the ESG Working Party duties include assessing effectiveness in identifying, managing, mitigating and, where possible, eliminating ESG risks and ensuring compliance with relevant statutory, regulatory and legal requirements as well as applicable ESG rules, industry standards and guidelines.

In 2022 the ESG Working Party focused on the processes and steps necessary for embedding ESG across the Company and its subsidiaries and the role of the Company in its ESG stewardship through its investments, external relationships and interactions.

The ESG Working Party also oversaw the Company's second GRESB Standing Investments Assessment EPRA sustainability performance reporting, and its response to the Task Force on Climate-Related Financial Disclosures (TCFD) in improving reporting of climate-related financial information. The Working Party was also responsible for preparing the Company's sustainability policy and relevant KPIs.


Manchester Green, Manchester

SUSTAINABILITY REPORT CONTINUED

United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals are comprised of 17 interlinked global goals that provide a blueprint for a sustainable future. The Board recognise its role in supporting the global transition to sustainable living as envisioned by the goals. The Board is kept appraised of the ESG by the ESG Working Party and discusses ESG issues at its regular board meetings. The Board has taken the decision to align the Company with four goals where the Company believes it can make the biggest impact.

These are:

Set out below is a summary of the Company's progress against the goals which are particularly significant to the Company.

3. Good health and well-being	The Company promotes good health and well-being via its services and interactions with its occupiers, suppliers and the communities within which it operates. The Asset Manager has been awarded a Great Place to Work certificate. A tenant survey was undertaken in 2022, incorporating questions of an ESG nature to better understand our occupiers wishes. Through the Asset Managers Occupier Fit-out Guide recommendations and guidance are provided on steps that can be taken for the health and well-being of building users and how they can be achieved. Life saving Automated External Defibrillators (AEDs) are being installed across the multi-let estate. Their location will be registered on Defib finder https://www.defibfinder.uk/ allowing accessibility to the local community.
8. Decent Work and Economic Growth	The Company provides and manages facilities that generate opportunities for enterprises to grow and support job creation. In the Company's acquisitions and refurbishments, it promotes sustainable resource consumption, reuse and recycling, and in its engagements with others.
11. Sustainable Cities and Communities	The Company invests in and manages property and real estate assets across identified growth cities and centres across the regions of the UK outside of the M25 motorway. Its investment and management strategy is to ensure that they are sustainable and, through the facilities and opportunity offered, make a beneficial contribution to the communities the Company is part of and serves.
13. Climate Action	The Company is taking action across its portfolio to mitigate the harmful effects of climate change. Energy audits are being undertaken of all assets, implementing as appropriate energy efficiency strategies to support a low carbon portfolio.

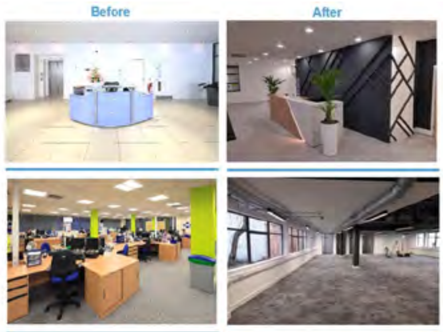
Sustainability in Action

Improving the Energy Performance of the Company's Assets

Through the refurbishment programmes, the Company has continued improving the amenity of its assets and their environmental and energy performance. Examples include:

Buildings 1 & 2, Rivermead Court, Clevedon – EPC B

The two office buildings (28,047 sq. ft.) were acquired during August 2018 with EPC ratings of D. The Asset Manager has subsequently refurbished the buildings, with improvements including new variable refrigerant flow (VRF) systems, suspended ceilings, LED lighting, and modernised the toilet and shower facilities. The EPC ratings have upgraded to a B Rating.



30-34 Hounds Gate, Nottingham – EPC B

The former Victorian mill (34,583 sq. ft.) was acquired during May 2016 with an EPC of D. A phased programme of work has recently been completed to install a heating, ventilation and air conditioning system, and upgrading the lighting, resulting in the EPC rating being upgraded to a projected B on refurbished suites.

Investment Due Diligence

The Company has broadened its investment due diligence to include sustainability criteria which feed into its decision making. This includes:

Environmental:	The position insofar as the environmental footprint of an investment is concerned. Current usages and impacts; the maturity of systems and mitigations in place to eliminate or reduce those impacts; environmental risks and their severity; and the prospects and opportunities for change.
Social:	The social impacts and opportunities of an investment. Health and wellness criteria; air quality and its monitoring; physical attributes such as access to daylight, low noise pollution and social space. The availability of local amenities, close public transport and energy efficient means of travel, electric vehicle charging and parking.
Governance:	The assessment and mitigation of risks, for example environmental and biodiversity risks; physical, natural and social economic risks. Sustainability framework and strategies in place for the investment and their relative performance. Financial, legal and operational obligations and impacts. Environmental classifications and certifications.

SUSTAINABILITY REPORT CONTINUED

Working with the Community

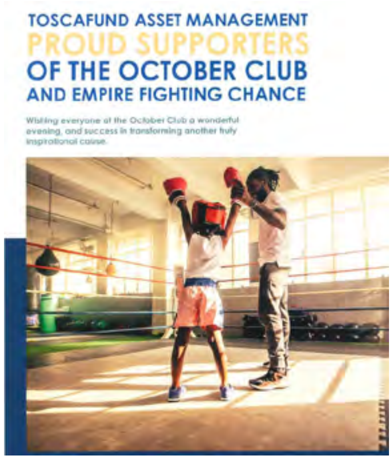
During the year, the Company continued to support and work with a number of charities and not-for-profit organisations that are making an impact in the communities and the regional locations where the Company operates.

On 12 October 2022, the Asset Manager organised the LSPIM Charity Challenge a sponsored cycle from Glasgow to Edinburgh. Twenty five members of staff participated in the 62 mile route along The Union and Forth & Clyde Canals canal to Edinburgh. The event raised £9,565, which the Asset Manager matched achieving £19,130 in total for the five selected charities: Glasgow Children's Hospital Charity, Beatson Cancer Charity, Glasgow South West Foodbank, NappiRunz and Aoife's Sensory Bus.

On 1 October 2022, a team from the Asset Manager participated in the Great Scottish Run. The course started at George Square, Glasgow before taking runners past some of Glasgow's iconic buildings and parks and finished in Glasgow Green. The team raised £1,360 for Glasgow Children's Hospital Charity.

Through the month of December 2022, the Asset Manager organised food banks across a number of the portfolio properties. The charitable activity was organised in conjunction with local food bank charities such as Glasgow SE Foodbank, Burgreave Foodbank, Manchester Central Foodbank, The Everlasting Foodbank and Star Project.

On 12 October 2022, the Investment Manager as a lead sponsor of the October Club charity, helped to organise a charity dinner which raised some £820,000. Each year the October Club selects a different charity and endeavours to transform its fortunes. In 2022 Empire Fighting Chance ("EFC") was selected. It engages with disaffected youth through non-contact boxing and intensive personal support.



Kassia Passmore, an 18 year old ambassador of Empire Fighting Chance, delivering the key speech at the October Club charity fund raising dinner.

The Company is pleased to continue to support three charities by providing each of them with 5,000 square feet of free office space in Manchester, allowing them to focus on their core purpose and help those most in need. The services they are providing offer much needed support:

- In community wellness and mental health support. Delivering a range of primary care mental health services, drop-in support and therapy services for NHS commissioning bodies; and
- Safe and culturally familiar environments for women who are at personal risk or escaping violence; and
- To local not-for-profit organisations by providing partnership working and shared space.

SUSTAINABILITY REPORT CONTINUED

Data Performance

A. Key Performance Indicators ("KPIs")

During the year, the ESG Working Party recommended the following KPIs.

Boundary KPIs

Whole Portfolio Boundary

1. To reduce total portfolio absolute emissions to net zero by 2050 in accordance with the Paris climate agreement and to strive to achieve this in a shorter timescale.

   Remote access metering is being installed across the multi-let portfolio allowing for detailed energy data capture. The Company in party with the Company's ESG advisors is establishing a carbon footprint, which will provide the base of the net zero carbon pathway.

2. To achieve, in accordance with current guidelines and expected future statutory requirements, a Minimum Energy Efficiency Standard ('MEES') target of EPC B by 2030. During 2022 the Company undertook a portfolio-wide audit of all EPCs as part of its strategic response to MEES. The EPC performance data was as follows:

Rating	31 December 2021	31 December 2022	Movement
A-B	9.9 %	16.9%	7.0%
C	33.0%	33.3%	0.3%
D-E	46.4%	40.0%	(6.4)%
Other	4.6%	3.1%	(1.5)%
Exempt (listed building)	6.1%	6.7%	0.6%

One North Bank, Sheffield

Landlord Controlled Boundary

KPI	2021 Performance	2022 Performance	Improvement in 2023
All properties to be serviced by renewable energy sources.	54% of all electricity consumption has been from green sources. Since April 2020, the substantial majority of supply contracts for electricity supplies have been green.	100% of all electricity consumption has been derived from green sources.	The Company will continue to reduce the portfolio's reliance on energy sourced from fossil fuels; taking the opportunity to convert properties to green energy sources during refurbishment programmes.
Install electric vehicle charging points across the portfolio or as requested by occupiers.	By the end of 2021, 22 sites provided 77 charging points.	Of the targeted six additional sites for 2022, two have been added with a further 24 charging points added to the portfolio capacity.	Site surveys and conversations continue with providers and occupiers to accelerate the programme of installations. The target is to provide all multi-let sites with electric vehicle charging points by 2025.
Eliminate waste to landfill	Data for 2021 shows that, of 742 tonnes of waste generated across sites, 492 tonnes was recycled. The balance was sent for energy recovery either for refuse derived fuel (246 tonnes) or at an anaerobic digestion facility (4 tonnes). No waste went to landfill.	Of the 92 sites where data is available a total of 1,529 tonnes of non-hazardous waste generated, with 711 tonnes being recycled. The balance was sent for energy recovery either for refuse derived fuel (758 tonnes) or at an anaerobic digestion facility (0.95 tonnes). Waste sent to landfill amounted 0.15 tonnes.	Continue to increase data collection for the remaining sites and increase the proportion recycled.
Reduce water consumption	Through the use of the Asset Manager's fit-out guide and refurbishments, the Company is targeting reductions in water consumption. This is primarily through the use of water-saving equipment devices, and by sharing best practice guidance with the Company's users, occupiers and suppliers.	Continued the programme set out in 2021.	Targeting data collection across a large proportion of the portfolio from which to monitor and take correcting actions to minimise wastage. During refurbishment work the Company will take the opportunity to install water saving equipment.
Energy use data coverage	The Company is working to ensure half-hourly energy performance data coverage and that reporting is fully implemented and available for electrical and gas energy supplies by 2025.	Metering now covers 70 properties.	Continue to increase the metering programme, where possible at a unit level to allow greater monitoring and corrective action as applicable.

SUSTAINABILITY REPORT CONTINUED

Occupier Boundary

KPI	2021 Performance	2022 Performance
Engage with occupiers during lease negotiations to incorporate green clauses into new leases	The Company is promoting incorporating green lease clauses into lease agreements. These include cooperation and reporting obligations to share and obtain environmental performance data and impose sustainability criteria.	As a matter of course all new Company leases include a green clause, setting out cooperation and reporting obligations to share and obtain environmental performance data and impose sustainability criteria.
Engage with all occupiers annually on ESG issues	The Company regularly engages with its occupiers, at least annually, and is now including ESG as part of that engagement.	In addition, to the property managers engaging with occupiers, a tenant survey was undertaken in 2022, incorporating questions of an ESG nature to better understand our occupiers wishes.

B. Task Force for Climate-related Financial Disclosures ("TCFD")

While the Company is not required to report against the TCFD, being an investment trust and consequently not yet within the scope of the regulation, the Company has voluntary complied with the recommendation as a reflection of its ongoing commitment to sustainability matters.

As with other sustainability disclosures, the Company expects the required disclosures to evolve in accordance with increased understanding around climate change risks.

Governance

Recommendation	Commentary
The Board's oversight of climate-related risks and opportunities	The Board has ultimate responsibility for oversight of the Company's risks and opportunities. This includes those that are climate related. In undertaking its work, the Board has delegated its authorities on climate-related risk identification to the Audit Committee. The Audit Committee, which met three times in 2022, is responsible for overseeing the maintenance of the Group's Risk Register, which includes the principal risks and uncertainties, see pages 49 to 59. The Audit Committee reports on its activity to the Board after each meeting. In addition, to the Audit Committee, an Environmental, Social and Governance ("ESG") Working Party has been established comprising of members of the Board, the Asset and Investment Manager and external advisors as required. The Audit Committee has similarly delegated its authorities on climate-related risk to the ESG Working Party. The ESG Working Party met six times in 2022 and as required provided updates and recommendations to the Board. The climate-related risks are included in the Company Risk Register, which is reviewed by the Audit Committee.
Board's role in assessing and managing climate-related risks and opportunities	The Board has ultimate responsibility for assessing and managing climate-related oversight of risks and opportunities. The Board has delegated its authorities on climate-related risk to the Audit Committee, which assesses and evaluates risk against the risk appetite established by the Board. Risk assessment is undertaken through risk profiling and scoring both prior to and post risk mitigation, to establish whether identified risks are improving, worsening or static and evaluated against the appropriateness of the mitigation strategies in place. The Audit Committee shares its assessments and findings with the Board for the Board's consideration.

SUSTAINABILITY REPORT CONTINUED

Strategy

Recommendation	Commentary
Climate-related risks and opportunities identified over the short, medium and long term.	Climate–related risks are considered over the short, medium and long term as set out below. **Short term (0–5 years):** • Increasing ESG legislation and compliance • Integration of ESG into business model • Implementation of new Minimum Energy Efficiency Standards • Portfolio climate adaption and retrofitting **Medium term (5–10 years):** • Portfolio occupier demand for buildings with higher levels of efficiency, climate resilience, and lower carbon footprints • Increased legislation requiring adherence **Long term (10+ years):** • Continued legislation requirements • Climate change which may impact the portfolio
Identify impact of climate-related risks and opportunities upon the Company's strategy, operations and financial planning.	The Board has identified that climate-related risks could impact the Company by: • Properties becoming unfit for purpose and asset stranding • Income and expenditure impacts arising from climate-related mitigation strategies • Lessened or improved desirability of its properties • Pricing of properties • Ability to access funds • Cost of capital • Reputation in the context of climate-related aspects The Company's aims to embed a sustainable ethos throughout a properties lifecycle. From mitigating climate risks at the point of purchase, by undertaking environmental assessment to endeavouring to extend the life of the portfolio assets. The rolling capital expenditure and refurbishment programme aims to improve existing buildings, including energy efficiency, enhanced EPC ratings, carbon and waste reduction.
Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°c or lower scenario.	The climate-related strategy is to: reduce energy consumption and increase energy efficiencies; source renewable energy supplies; support a low carbon portfolio; install on-site renewables, improve efficiencies through retrofitting, refurbishment and fit-out; and, where carbon emissions cannot be eliminated, investigate the possible use of verified carbon offsetting strategies. The Board tests the resilience of its strategies through regular performance updates and adjusts its strategies where it determines change is needed.

Risk Management

Recommendation	Commentary
Integrate processes for identifying, assessing, and managing climate-related risks into the Company's overall risk management.	Effective risk management underpins the execution of the Company's strategy. The Board is supported by the Audit Committee, which via the Company risk register aims to capture the principal risks and uncertainties, including climate related risk. Board meetings are held at least quarterly and Audit Committee meetings at least bi-annually, with ad hoc meetings called as circumstances demand. Any identified climate-related risk would be managed appropriately by the Board in the future as the need arises.

Metrics and Targets

Recommendation	Commentary
Metrics used by the Company to assess climate-related risks and opportunities are in line with its strategy and risk management process.	The Company reports in line with: • The GRESB Standing Investments Benchmark; and • EPRA Sustainability Best Practices Recommendations for sustainability reporting. EPRA performance tables are detailed later in this Sustainability Report.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	The Company reports Scope 1 and Scope 2 emissions in accordance with EPRA recommendations and as set out for the years 2019, 2020 and 2021 separately in this Report. The GHG assessment for the year to 31December 2022 will be published separately to this Report.
Targets used by the Company to manage climate-related risks and opportunities and performance against targets.	Through the ESG Working Party, the Company has established key performance indicators and targets as set out elsewhere in this report. The ESG Working Party measures performance against the targets and will report its findings to the Board.

C. EPRA Sustainability Best Practices Recommendations

The Company has chosen to report its material, ESG data in accordance with the third edition of the European Public Real Estate Association ('EPRA') Best Practices Recommendations ("sBPR"), September 2017.

EPRA is a non-profit association representing Europe's publicly listed property companies. By responding to EPRA, the Company is promoting sustainability within the property portfolio, while also identifying opportunities for further improvements relating to sustainability regulations and initiatives.

This EPRA report is over three sections:

1. Overarching recommendations;
2. Environmental performance measures; and
3. Social and Governance performance measures.

SUSTAINABILITY REPORT CONTINUED

1. Overarching Recommendations

Organisational boundaries

The Company's EPRA sustainability reporting covers properties held as at 31 December 2022. At the date of this report, the Company is finalising the collection of performance data to report on the environmental performance measures to 31 December 2022. The Company expects this to be published and made available in the second half of 2023. For the purposes of this report, environmental performance data is restricted 2021, 2020 and 2019.

Coverage

The coverage of absolute performance measures amounts to 64% of all property assets held at 31 December 2021. The remaining assets are single or multiple occupancy assets with no landlord-obtained electricity gas and water ("Utilities").

The absolute performance measures relate to electricity, fuels and associated greenhouse gas ("GHG") emissions where the Company procures Utilities for common areas, shared services, occupier areas and those properties that are vacant.

Like-for-like performance measures include properties for which the Company has collected three years' worth of consistent data – and excludes properties sold, acquired or under development during the period: 1 January 2019 to 31 December 2021. The like-for-like portfolio therefore represents 73% of the assets covered in the organisational boundaries, and data coverage is 100% of these properties. Data collected was during the COVID-19 pandemic at which time properties were not fully occupied or utilised.

The Company aims to complete annual health and safety assessments for 100% of the assets, excluding those where the responsibility for health and safety assessments is with the occupier.

Boundaries – Reporting on Landlord and Occupier Consumption

The energy and associated GHG emissions data reported includes:

- Electricity and fuel consumption which the Company purchases as landlord covers common areas, shared services and occupier areas where this consumption is not sub-metered but recharged via the service charge;
- Utilities procured directly by occupiers is excluded as it falls outside the Company's operational control.

Estimation of landlord-obtained Utility Consumption

All data is based on invoices and/or meter readings where available. Estimations have been applied where invoices were not available at the time of publication. In these instances, the Company has estimated the consumption data based on the most recent invoice or reading for the corresponding period.

Analysis – Normalisation

Energy and emissions intensity indicators are calculated using floor area sq. ft. for whole buildings.

The Company is aware of a mismatch between the numerator and denominator, as in some properties the utilities consumption relates to common areas only, and in others it covers both shared services, outside space and occupier areas where there are no sub-meters.

Analysis – Segmental Analysis (by Property Type, Geography)

Sector analysis is organised by the property classification as set out in the Asset Management section of the Company's financial reporting. Additional segmental analysis by geography is not applicable as all assets are in the United Kingdom.

Reporting Period

- Absolute performance measures and intensity metrics are reported for the most recent reporting year for which the Company holds full reporting data at the date of this report (year ending 31 December 2021).
- Like-for-like performance measures are reported for the three most recent reporting years that the Company can collect consumption data for (years ending 31 December 2019, 31 December 2020 and 31 December 2021).

Disclosure on Manager's Offices

Utilities associated with the Manager's office consumption and the Manager's employee-related performance measures are excluded, apart from where the Manager's space is leased from the Company, as they fall outside the scope of the organisational boundaries.

Data Verification and Assurance

All data is reviewed for consistency and coherence prior to disclosure.

Materiality

The following EPRA sustainability performance measures were not considered material and have therefore been excluded from reporting:

- District heating or cooling ("DH&C"); absolute & DH&C-like for like: No DH&C is procured across the portfolio.
- Diversity-Emp; Diversity-Pay; Emp-Training; Emp-Dev; Emp-Turnover & H&S-Emp: The Group has no direct employees. All administrative functions associated with the management of the portfolio are conducted by the Managers, which are separate legal entities and therefore outside the organisational boundaries of this report.
- Waste-absolute & Waste-like for like: Operational waste is generated solely by the occupiers and is therefore outside of the Company's control. Waste generated through the Company's refurbishment/development activities is excluded from the scope of the EPRA sBPR.

SUSTAINABILITY REPORT CONTINUED

2. Environmental Performance Measures

EPRA Code	Performance Measures	Unit	Scope	Absolute 2020	Absolute 2021	LfL 2019/ 2020	LfL 2020/ 2021	LfL Change %
Elec-Abs Assets Elec-Lfl	Total Electricity Consumption	kWh	Total landlord obtained	28,190,411	31,085,466	27,566,403	24,806,758	(9.98)
Fuels-Abs Asset Fuels-LfL Asset	Total fuel consumption	kWh	Total landlord obtained	20,187,507	25,920,890	15,608,834	14,952,000	(4.21)
Energy-Int Asse	Building energy intensity	kWh/ m2/ year	Building energy intensity	86.99	98.13	80.2	84.33	5.15
GHG-Dir-Abs Ass	Total direct GHG emissions	tonnes CO2e	Scope 1 – direct emissions	4,113	5,261	3,180	3,035	(4.57)
GHG-Indir-Abs A	Total indirect GHG emissions	tonnes CO2e	Scope 2 – indirect emissions (location-based)	6,572	6,600	6,425	5,267	(18.01)
GHG-Int Assets	Greenhouse gas (GHG) emissions	kg CO2e/ m2/ year	Scope 1 and 2 (location based) intensity	19.21	21.33	17.54	17.61	0.38
Waste LfL	Total weight of waste by disposal route	metric tonnes		n/a	1,549	n/a	n/a	n/a

The performance measures for 2019 and 2020 have been updated to reflect the increased data coverage of the portfolio.

The 2019 and 2020 Scope 1 natural gas emissions calculation methodology has been revised to incorporate a more relevant emissions factor.

3. Social and Governance Performance Measures

EPRA Code	Performance Metric	Unit of Measurement	2020	2021	2022
Diversity-Emp Corporate	Employee gender diversity	% female: male	The organisation has no employees	The organisation has no employees	The organisation has no employees
Diversity-Pay Corporate	Ratio of the basic salary and/or remuneration of men to women	Ratio per GRI guidelines	The organisation has no employees	The organisation has no employees	The organisation has no employees
Emp-Training Corporate	The average hours of training that the organisation's employees have undertaken	Average hours	The organisation has no employees	The organisation has no employees	The organisation has no employees
Emp-Dev Corporate	The percentage of total employees who received regular performance and career development reviews	Percentage of total employees	The organisation has no employees	The organisation has no employees	The organisation has no employees
Emp-Turnover Corporate	The total number and rate of new employee hires and employee turnover	Total number and rate	The organisation has no employees	The organisation has no employees	The organisation has no employees
H&S-Emp Corporate	The occupational health and safety performance of the reporting organisation with relation to its direct employees	Injury rate, lost day rate, absentee rate and work-related fatalities	The organisation has no employees	The organisation has no employees	The organisation has no employees
H&S-Asset Assets*	Proportion of assets for which health and safety impacts have been reviewed or assessed for compliance or improvement	Percentage of assets	100%	100%	100%
H&S-Comp Assets	Incidents of non-compliance with regulations and/or voluntary standard concerning the health and safety impacts of assets assessed during the reporting period.	Description of non-compliance	The organisation has not identified any non-compliance with regulations and/or voluntary codes	The organisation has not identified any non-compliance with regulations and/or voluntary codes	
Comty-Eng Assets	Assets under operational control that have implemented local community engagement, impact assessments and/or development programmes	Percentage of assets	n/a	n/a	

* For multi-let properties.

Governance Performance Measures

EPRA Code	Description	Disclosure
Gov-Board	Composition of highest governance body	Refer to pages 87 to 88 of this report
Gov-Selec	Process for selection of highest governance body	Refer to pages 102 to 106 of this report
Gov-COI	Process for management of conflicts of interest	Refer to page 105 of this report

SECTION 172 STATEMENT

Stakeholder Engagement and Board Decision Making

The Board is required to understand the views of the Company's key stakeholders and describe in the Annual Report how their interests and the matters set out in Section 172 of the UK Companies Act 2006[1] have been considered in Board discussions and decision making, in accordance with the AIC Code. This section of the UK's Companies Act requires the Directors to have regard to the following matters:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees*;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the Company's reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

Effective engagement with stakeholders underpins good governance and creates long-term Shareholder value. The importance of stakeholder considerations, in particular in the context of decision making, is taken into account at every Board meeting. All discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. The relevance of each stakeholder group may increase or decrease by reference to the issue in question, so the Board seeks to understand the needs and priorities of each group during its discussions. Examples of material matters discussed during the year are set out in the Chairman's Statement on pages 12 to 15 and below. In addition, the Investment Strategy and Business Model set out on pages 17 to 22 gives examples of how we approach each specific element of our strategy which supports the business model, including an explanation of our values and approach.

Examples of the Board having taken into consideration its stakeholders in decisions are set out below:

Our Stakeholders

As the Company is an externally managed REIT and does not have any employees, the Board believes that the Company's key stakeholders comprise, in no particular order, its Occupiers, Shareholders, Managers, other Service Providers and Lenders. The section below sets out why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

Tenants

The ability of the Company to meet its investment objective requires a strong focus on generating income from the property portfolio. To do this, the Company must understand its tenant needs, challenges and future aspirations to retain lettings and lease renewals. The Company has engaged a dedicated property manager, London and Scottish Property Asset Management Limited ("LSP") to manage the day-to-day property management and tenant interaction. LSP regularly visits properties and communicates with existing tenants to understand their needs and improve their satisfaction. This improves retention rates and also attracts prospective tenants.

During the year, the Asset Manager continued to engage with tenants to understand their needs during the crisis. The Board firmly believes that, by supporting tenants now and strengthening existing relationships, the Company will have improved future occupancy levels, which in turn will maintain and generate income for the Company.

The Asset Manager reports at a high level on its engagement with tenants at every Board meeting.

The Board recognises that the Company has certain responsibilities to its stakeholders and the wider society. As an externally managed REIT, the Company itself does not have employees. However, the Company aims to conduct itself responsibly, ethically and fairly. Further details can be found on pages 61 to 78.

1 Although Section 172 of the Companies Act 2006 does not apply to the Company, being a Guernsey incorporated company, the AIC Code requires that the matters stated under Section 172 are reported on by all companies irrespective of domicile.

* not applicable to the Company as it has no employees.

Shareholders

Continued Shareholder support and engagement are critical to the existence of the Company and the delivery of its long-term strategy. The Board's primary focus is to promote the long-term success of the Company for the benefit of its Shareholders as a whole. The Board oversees the delivery of the investment objective, policy and strategy, as agreed by the Company's Shareholders. The Board welcomes all Shareholders' views and aims to act fairly between all Shareholders.

The Board is committed to maintaining open channels of communication and engagement with Shareholders, and, in particular, institutions and wealth managers, which is given a high priority by both the Board and the Managers. The Chairman ensures that the Board as a whole has a clear understanding of the views of Shareholders by receiving regular updates and feedback from the Company's Corporate Broker and Financial Adviser and Managers on shareholder matters.

Meetings are held with institutional Shareholders, private Shareholders, wealth managers, and sell-side equity analysts to present the Group's financial and operational results and to discuss the strategy and business model, as well as the UK regional commercial property market.

The Company also encourages investors and analysts to utilise its online facilities and communications and has developed a comprehensive website of Group-specific information and other information generally useful to real estate investment trust investors and analysts.

The Investment Manager regularly participates in Investor Relations programmes to raise the profile of the Company and to attract new Shareholders.

The Managers and the Company's Corporate Broker and Financial Adviser are in regular contact with major Shareholders, which includes meetings and roadshows. The Managers report the results of all meetings and the views of those Shareholders to the Board on a regular basis. At every Board meeting, the Directors receive an investor relations update from the Investment Manager on the share trading activity, share price performance and any Shareholder feedback, as well as an update from the Investment Manager on any publications or comments by press and analysts. The Chairman and the other Directors are available to attend these meetings with Shareholders if required. Relations with Shareholders are also considered as part of the annual Board evaluation process. For further details regarding this process see pages 103 to 104.

All Shareholders are encouraged to vote at the AGM, during which the Board and the Managers intend to make themselves available to discuss issues affecting the Company and answer any questions. The Asset Manager generally delivers a presentation on the Company's performance and the future outlook at the AGM.

Shareholders ordinarily have an opportunity to meet the Directors and to ask the Managers or any of the Directors questions at the AGM. Shareholders wishing to raise questions or concerns directly with the Chairman, Senior Independent Director or Company Secretary, outside of the AGM, should do so using the contact details provided on page 174.

The Company releases regular trading updates and announcements to the market regarding performance. The Annual Report and Half-Year report are made available on the Company's website, together with other communications to Shareholders. These reports provide Shareholders with a clear understanding of the Company's performance and financial position. This information is supported by regular announcements on activity within the property portfolio, such as lettings, lease extensions and acquisitions announced via the London Stock Exchange, which are also available on the Company's website. Following the announcement of the Company's full and half-yearly results, a presentation is held for analysts and investors.

The Asset Manager and Investment Manager

The performance of both the Asset Manager and Investment Manager is critical for the Company to successfully deliver its investment strategy and meet its objective to provide Shareholders with an attractive total return of greater than 10% per annum.

Maintaining a close and constructive working relationship with the Managers is crucial as the Board and the Managers aim to achieve the investment objective. Important components in the collaboration with the Managers, representative of the Company's culture, are:

- Encouraging open discussion with each of the Managers;
- Recognising that the interests of Shareholders and the Managers are for the most part well aligned, adopting a tone of constructive challenge, balanced when those interests are not fully congruent by robust negotiation of their terms of engagement;
- Drawing on Board Members' individual experience to support the Managers in the monitoring and development of the property portfolio;
- Supporting the Managers in their philanthropic activities; and
- Willingness to make the Board Members' experience available to support the Managers in the sound long-term development of its business and resources, recognising that the long-term health of the Managers is in the interests of Shareholders in the Company.

The Board receives presentations from the Asset Manager at every Board meeting to help it to exercise effective oversight of the Asset Manager and the Company's strategy.

On behalf of the Company's Shareholders, the Management Engagement and Remuneration Committee (the "MERC") conducts an annual review of the performance of the Asset Manager and Investment Manager. More details on the conclusion of this review are set out on page 113.

SECTION 172 STATEMENT CONTINUED

Other Service Providers

The Company's day-to-day operational functions are delegated to a number of third-party service providers, each engaged under separate contracts. The Company's principal third-party service providers include the Company Secretary, Corporate Broker and Financial Adviser, Administrator, Legal Adviser, Tax Adviser and the Registrar. The Company relies on these reputable advisers for support in complying with all relevant legal and regulatory obligations. The Board maintains regular contact with its key third-party service providers, taking a constructive and positive approach to working with these service providers with the aim of building long-term relationships. Their advice, as well as their needs and views, are routinely taken into account.

The Audit Committee reviews and evaluates the control environments in place at the key third-party service providers. Further details regarding the role of the Audit Committee are set out on pages 107 to 110. The MERC formally assesses the performance of third-party service providers, fees and continuing appointment at least annually to ensure that the key third-party service providers continue to function at an acceptable level. Further information about the review of third-party service providers is set out on page 113.

Lenders

Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.

The Company maintains strong relationships with current lenders, providing regular updates on at least a quarterly basis, and also maintains regular contact with prospective lenders to ensure it is well placed to secure additional funding when required.

Considering how important the availability of funding is, the Company aims to demonstrate to lenders that it is a well-managed business, and in particular, that the Board focuses regularly and carefully on the management of risk.

The above mechanisms for engaging with stakeholders are kept under review by the Board and will be discussed on a regular basis at Board meetings to ensure that they remain effective.

Board Decision-Making

The major decisions taken by the Board during 2022 are summarised below and show how the Board had regard to its stakeholders and the longer-term success of the Company:

Principal Decision – 2022 Dividend

The Board is committed to paying a full year dividend of 6.60pps (2021: 6.50pps), conscious of its commitment to Shareholders to maintain an uninterrupted quarterly dividend.

Principal Decision – Appointment of Non-Executive Director

On 1 June 2022, as part of ongoing succession planning, the Board appointed Ms Massy Larizadeh as Non-Executive Director following an extensive search, interview and recruitment process.

The Nomination Committee, with the assistance of recruitment firm Nurole, shortlisted and interviewed potential candidates. The Committee concluded that Ms Larizadeh was a standout candidate given her high calibre background and experience, whilst also demonstrating an understanding that acting in the Company's shareholders' best interests was of paramount importance.

MANAGEMENT ARRANGEMENTS

The Board has overall responsibility for the Company's activities, including the review of investment activity and performance and the control and supervision of all suppliers of services to the Company, including the Asset Manager and Investment Manager. It is also responsible for the determination of the Company's investment policy and strategy and the Company's system of internal and financial controls, including ensuring that commercial risks and financing needs are properly considered and that the obligations of a public limited company are adhered to.

To assist the Board in the day-to-day operations of the Company, arrangements have been put in place to delegate authority for the performance of day-to-day operations of the Company to the Asset Manager, Investment Manager and other third-party service providers.

The Asset Manager and Investment Manager are in frequent contact with the Board and the Asset Manager supplies the Directors with regular updates on the Company's activities and detailed reports at each Board meeting.

Asset Manager

The Asset Management Agreement was assigned to London & Scottish Property Investment Management Limited on 3 May 2019 from an existing entity within the Asset Manager group following a restructure. The Asset Manager is engaged to provide asset management services to the Company, Regional Commercial Midco Limited ("Midco") and the respective Group limited companies which hold the properties directly.

Under the Asset Management Agreement, the Asset Manager is responsible for the day-to-day asset management of the Property Portfolio, subject to the investment objectives of the Company, its investment policy (as set out on page 18) and the overall supervision of the Board. The Asset Manager will also advise the Company on the acquisition, management and disposal of the Group's properties.

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.

Notwithstanding the above terms, the Asset Management Agreement may be terminated with immediate effect in certain circumstances, including a material unremedied breach by the Asset Manager.

The Company or Midco may terminate the Asset Management Agreement with immediate effect by giving written notice to the Asset Manager in the event of the liquidation or insolvency (or analogous event) of the Asset Manager.

At any time after the first date on which the EPRA NTA exceeds £750,000,000, the Board and the Asset and Investment Manager may decide, with the approval of an ordinary resolution (upon which neither the Asset Manager nor its associates may vote) that individuals providing the services under the Asset Management Agreement are to become an internal resource of the Company in lieu of the appointment of the Asset Manager under the Asset Management Agreement.

Property Manager

London & Scottish Property Asset Management Limited has been appointed to manage the day-to-day property management of each property within the Portfolio. A Property Management fee of 4%, based upon the gross rental yield, is charged per annum.

Investment Manager and Alternative Investment Fund Manager

The Company has appointed Toscafund Asset Management LLP as the Company's Investment Manager (and to provide certain related services to Midco and the respective companies which hold property directly). The Investment Manager is responsible for the day-to-day management of the Company's investments, subject to the investment objective and the investment policy of the Company. The Investment Manager is also the Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD").

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.

MANAGEMENT ARRANGEMENTS CONTINUED

Notwithstanding the above terms, the Investment Management Agreement shall terminate with immediate effect in certain circumstances, including the Investment Manager ceasing for any reason to be authorised under Financial Services and Markets Act 2000 to carry out the regulated activity of managing an AIF, or the Investment Manager committing a material breach of its obligations either (i) not capable of being remedied (after the Company has served notice to terminate) or (ii) which is capable of being remedied and failing to remedy the same within 30 days after service of notice by the Company requesting the same to be remedied.

At any time after the first date on which the EPRA NTA exceeds £750,000,000, the Board and the Investment Manager may decide, with the approval of an ordinary resolution (upon which neither the Investment Manager nor its associates may vote) that individuals providing the services under the Investment Management Agreement are to become an internal resource of the Company in lieu of the appointment of the Investment Manager under the Investment Management Agreement.

Management and Performance Fees

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

In addition, the Asset and Investment Managers are each entitled to 50% of a performance fee. The fee is calculated at a rate of 15% of Total Shareholder Returns in excess of the annual Hurdle Rate of 8% for the relevant Performance Period. Total Shareholder Returns for any Performance Period consist of the sum of any increase or decrease in EPRA NTA per Ordinary Share and the total dividends per Ordinary Share declared in the Performance Period. Performance Periods are annual, from 1 January to 31 December. Any performance fee payable for the period commencing 1 January 2019 and subsequent periods is to be paid in part 34% in cash and 66% in Ordinary Shares. Any Ordinary Shares issued to the Managers are to be issued at the prevailing price per Ordinary Share on the date of issue.

A performance fee is only payable in respect of a Performance Period where the EPRA NTA per Ordinary Share exceeds the high-water mark, which is equal to the greater of the highest year-end EPRA NTA per Ordinary Share in any previous Performance Period or the Placing Price (100p per Ordinary Share). Full details of the Managers' Performance Fee are given on pages 157 and 158 of the Company's Prospectus, published on 24 June 2019.

Performance Fee

No performance fee crystallised for the performance fee period from 1 January 2022 to 31 December 2022.

Continuing Appointment of Asset Manager and Investment Manager

The Board keeps the performance of both the Asset Manager and Investment Manager under continual review. The MERC, comprising the independent non-executive Directors, conducts an annual review of the performance of the Asset Manager and Investment Manager. Further details can be found on page 113.

It is considered that the Asset Manager and Investment Manager has each executed the Company's investment strategy according to the Board's expectations. Accordingly, the Directors believe that the continuing appointment of London & Scottish Property Investment Management Limited as the Asset Manager of the Company and Toscafund Asset Management LLP as the Investment Manager of the Company, on the terms agreed, is in the best interests of the Company and its Shareholders as a whole.

Administrator

The Company appointed Jupiter Fund Services Limited as the Administrator to the Company pursuant to an Administration Agreement. Under the terms of the Administration Agreement, the Administrator is responsible for the Company's general administrative functions such as maintaining the Company's records and statutory registers and acting as the Company's Designated Administrator. The Administrator has outsourced certain of its services under the Administration Agreement to Link Alternative Fund Administrators Limited as Sub-Administrator. An annual fee of £138,340 is payable by the Company to the Administrator and Sub-Administrator in respect of these services.

The Administration Agreement was for an initial term of one year, following which it automatically renews for 12-month periods unless notice of termination is served by either party at least 90 days prior to the end of each period.

Company Secretary

Link Company Matters Limited was appointed to provide company secretarial services to the Company pursuant to a Company Secretarial Services Agreement. This agreement automatically renews for 12-month periods unless notice of termination is served by either party at least six months prior to the end of each period.

OTHER INFORMATION

Principal Activity

The Company has been incorporated for the purpose of investment in, holding and managing commercial property investments, or debt portfolios secured on such properties, which are located predominately in the regional centres of the UK outside the M25 motorway.

Status

The Company is incorporated in Guernsey, Channel Islands, 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. It is a member of the AIC.

Status for Taxation

In accordance with the Guernsey economic substance legislation effective 1 January 2019, the Company has opted for Non-Tax Resident status. This status allows the Company to distribute or accumulate income without deduction of Guernsey income tax.

During the year, the Company's properties have been held in various subsidiaries and associates.

The Company is registered for VAT purposes in England.

The Company does not provide US tax reporting information to shareholders.

Shareholders who are in any doubt concerning the taxation implications of a REIT should consult their own tax advisers.

Culture

The Board has established core values for the Company that align with the Company's purpose, culture and strategy. These are set out on page 3. The Directors are aware that establishing and maintaining a healthy corporate culture amongst the Board and in its interaction with the Managers, Shareholders and other stakeholders will support the delivery of its purpose and investment strategy.

The Board's culture itself is one of openness, collaboration and transparency of debate. The Directors are comfortable to give their opinions in a respectful environment, allowing challenge and constructive discussion. The Board maintains a desire for strong governance and diversity of thought. All Directors act with integrity, lead by example and seek to promote the Company's culture through ongoing dialogue and engagement with its stakeholders.

The Board seeks to appoint appropriate service providers and, through the MERC, evaluates their service on a regular basis as described on page 113. Their ongoing appointments are not only reflective of their performance by reference to their contractual and service level obligations, but also take into account the extent to which their individual corporate cultures align with those of the Company. The Board considers the culture of the Managers and other stakeholders, including their practices and behaviour, relationships with the Board and through regular reporting from these stakeholders, and in particular during the annual review of the performance and continuing appointment of all service providers.

On behalf of the Board

Kevin McGrath

Chairman

27 March 2023

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Kevin McGrath MRICS DL OBE (Chairman and Independent Non-Executive Director)

Appointed: 16 October 2015

Kevin McGrath is chairman of M&M Property Asset Management LLP, having previously been managing director and senior adviser of F&C REIT Asset Management. Prior to F&C REIT, Kevin was a founding equity partner in REIT Asset Management, a property investment, finance and asset management partnership, which managed a global commercial property portfolio.

Previous to REIT Asset Management, Kevin was a senior investment surveyor with Hermes Investment Management, the fund manager for British Telecommunications and Post Office Pension Schemes. Before that, he worked for various local authorities in a variety of property-related positions and prior to that he worked in manufacturing and banking.

Kevin is a member of the Royal Institute of Chartered Surveyors and the Worshipful Company of Chartered Surveyors and is a Freeman of the City of London. He has worked in the property industry for almost 40 years and graduated from the Polytechnic of the South Bank with a BSc (Distinction) in Estate Management and obtained a postgraduate diploma in Property Investment (Award Winner) from the College of Estate Management Reading.

Kevin was appointed an Officer of the Most Excellent Order of the British Empire in the Queen's 2016 Birthday Honours List for Services to Charities. He was The High Sheriff of the County of Greater London for 2014/15 and is the Representative Deputy Lieutenant for the London Borough of Hammersmith and Fulham. Kevin was awarded an Honorary Degree of Doctor of the University from the University of Surrey in 2017 in recognition of an outstanding contribution to the Arts and an Honorary Degree of Doctor of Letters from the London South Bank University 2022 in recognition of an outstanding contribution to Charity and Business.

He is a founder Trustee of The Clink Prison Restaurant Charity; Trustee of the Moorfields Eye Hospital Charity; Vice Chair of The QPR Sport in The Community Trust; and Chair of QPR Women's Football Club.

William Eason (Senior Independent Non-Executive Director)

Appointed: 16 October 2015

William ("Bill") Eason was previously head of charities with Quilter Cheviot and, before that, with Laing & Cruickshank. He had managed diversified high net worth portfolios since 1973 and became a member of the London Stock Exchange in 1976. Bill was chief investment officer at Laing & Cruickshank Investment Management and has acted as chairman of Henderson High Income Trust plc, a non-executive director of The European Investment Trust plc and senior independent director of Henderson International Income Trust plc. Bill is currently a director of Institutional Protection Services Limited. He is a Chartered Fellow of the Chartered Institute for Securities and Investment. Amongst his charitable roles, Bill has acted as a governor of Henley Management School and is currently a trustee of Marshall's Charity, The Gordon Foundation, the John Hampden Fund and a business fellow of Gray's Inn.

Daniel Taylor (Independent Non-Executive Director)

Appointed: 16 October 2015

Daniel ("Dan") Taylor is the chairman of Westchester Capital Limited, an investment and advisory firm specialising in real estate. Dan currently holds the role of managing director of Bourne Office Space Group Limited, a serviced office business based in London, in which Westchester Capital is a principal investor. From 2011 to 2015, Dan was chairman of AIM-listed Avanta Serviced Office Group plc, then the UK's second largest serviced office provider. Prior to this, he was managing director of media financier Grosvenor Park Media, Inc. for whom he managed a US$400 million investment joint venture with Fortress Investment Group LLC. From 1989 to 1999, Dan was president and founder of Victoria Asset Management Inc., an investment company in Houston, Texas, specialising in distressed real estate assets. Dan started his professional career as a financial analyst with Bank of America in San Francisco, and then as vice president at First Boston Inc.

Dan has held directorships for various private and listed companies involving investment management, corporate finance and corporate governance roles. Dan is currently a non-executive director of Queen's Club. Dan graduated from Stanford University in 1980.

Frances Daley (Independent Non-Executive Director)

Appointed: 1 February 2018

Frances Daley is a chartered accountant who qualified with a predecessor firm to Ernst & Young LLP. She subsequently spent nine years in corporate finance with Royal Bank of Canada and Ernst & Young, followed by 18 years in various chief financial officer roles, principally in the licensed retail sector (10 years) and in healthcare. From 2007 to 2012, she was group finance director of the private equity backed Lifeways Group, the UK's largest provider of specialist support to adults with learning disabilities and mental health needs.

Ms Daley is a non-executive director of Henderson Opportunities Trust Plc and chair of Barings Emerging EMEA Opportunities PLC.

Ms Daley graduated from Cambridge University in 1980 with a degree in Land Economy.

Massy Larizadeh (Independent Non-Executive Director)

Appointed: 1 June 2022

Massy has 30 years' experience in the financial services sector, 17 of which were within commercial real estate, working for companies such as GE Real Estate, Cushman & Wakefield Investors, and Deloitte Real Estate. Prior to that Massy spent a number of years at GE Capital in M&A in the US and across Europe, having started her professional career in the City at Morgan Stanley International.

Massy is a non-executive director of Orbit Group, a large national housing association, and London & Partners, a social enterprise responsible for attracting and promoting international trade, investment and tourism directed to the London economy. She is also a Trustee of UP Projects, a charity focused on bringing art into the public domain, which is part funded by the Arts Council England.

Massy has a Bachelor degree from the Wharton School of the University of Pennsylvania and an MBA from INSEAD in France.

Stephen Inglis (Non-Executive Director)

Appointed: 16 October 2015

Stephen Inglis is the founder and chief executive officer of the Asset Manager. He has over 30 years' experience in the commercial property market, the majority of which spent working in the investment and development sector. His career to date has been split between London and Scotland and he has extensive knowledge of the UK regional property markets. He is a chartered surveyor and became a member of RICS in 2001 and is also a Board member of the Investment Property Forum.

Tim Bee (Non-Executive Director)

Appointed: 7 July 2017

Tim Bee is the Investment Manager's chief legal counsel. He joined the Investment Manager in May 2014 having previously been a corporate partner at two leading London-based law firms where he advised on a wide range of transactions for public and private companies, financial institutions and fund managers. He qualified as a solicitor in 1988 and has extensive experience in mergers and acquisitions, equity capital markets and financial services.

REPORT OF THE DIRECTORS

The Directors of Regional REIT are pleased to present their report and the consolidated audited financial statements of the Group for the year ended 31 December 2022.

Corporate Governance

The Corporate Governance Statement on pages 97 to 106 forms part of this report.

Directors

All Directors of the Company were in office during the year and at the date of this report. Their full biographies can be found on pages 87 and 88. Details of the Directors' terms of appointment can be found in the Corporate Governance Statement and the Directors' remuneration report.

None of the Directors or any persons connected with them had a material interest in the transactions and arrangements of, or the agreement with, the Managers during the year, other than Mr Inglis who is the Chief Executive Officer and Founder of London & Scottish Property Investment Management, the Company's Asset Manager and Mr Bee who is the Chief Legal Counsel of Toscafund Asset Management LLP, the Company's Investment Manager and are not therefore considered to be independent.

In the event of any conflict between their positions as Chief Executive Officer and Founder of London & Scottish Property Investment Management (the Company's Asset Manager) and Chief Legal Counsel of Toscafund Asset Management LLP (the Company's Investment Manager), Mr Inglis and Mr Bee respectively will comply with the provisions in the Company's Articles of Incorporation concerning the declaration of Directors' interests and authorisation of conflicts of interest and any other limits or conditions imposed by the Board.

All Directors will stand for re-election at the 2023 AGM in accordance with the Company's Articles and the AIC Code, with the exception of Ms Massy Larizadeh who will stand for election by shareholders.

The Directors ensure that they maintain their continuing professional development in accordance with the requirements of their respective professions as well as receiving briefings from the Company Secretary and other advisers on a regular basis.

Front row : Massy Larizadeh, Kevin McGrath, Frances Daley and William Eason.
Back row : Daniel Taylor, Stephen Inglis and Tim Bee.

Directors

There is no requirement under the Company's Articles of Incorporation or the terms of their appointment for Directors to hold shares in the Company.

The beneficial interests of the Directors of the Company are set out in the table below:

	At 31 December 2022		At 27 March 2023	
Director	Number of Ordinary Shares	% Interest in share capital	Number of Ordinary Shares	% Interest in share capital
Kevin McGrath*	505,072	0.10	505,072	0.10
William Eason	225,000	0.04	225,000	0.04
Daniel Taylor**	717,541	0.14	717,541	0.14
Frances Daley	147,257	0.03	147,257	0.03
Stephen Inglis***	2,336,117	0.45	2,336,117	0.45
Tim Bee****	277,031	0.05	277,031	0.05
Massy Larizadeh	47,700	0.01	47,700	0.01

* Held by himself, his spouse and children.
** Held by himself, his spouse and children.
*** Held by himself, spouse and family trust.
**** Held beneficially by his spouse.

Share Capital

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS CONTINUED

Restrictions on the Transfer of Shares

Subject to the Articles, as well as applicable foreign securities laws, a Shareholder may transfer all or any of their Ordinary Shares in any manner which is permitted by Guernsey law or in any other manner which is from time to time approved by the Board.

If any Ordinary Shares are owned directly, indirectly or beneficially by a person believed by the Board to be a "Non-Qualified Holder" (see below), the Board may give notice to such person requiring them either: (i) to provide the Board within 30 days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Board that such person is not a Non-Qualified Holder, or (ii) to sell or transfer their Ordinary Shares to a person who is not a Non-Qualified Holder within 30 days and within such 30 days to provide the Board with satisfactory evidence of such sale or transfer and pending such sale or transfer, the Board may suspend the exercise of any voting or consent rights and rights to receive notice of or attend any meeting of the Company and any rights to receive dividends or other distributions with respect to such Ordinary Shares. Where condition (i) or (ii) is not satisfied within 30 days after the serving of the notice, (i) the person will be deemed, upon the expiration of such 30 days, to have forfeited their Ordinary Shares or (ii) if the Board in its absolute discretion so determines, the Company may dispose of the Ordinary Shares at the best price reasonably obtainable and pay the net proceeds of such a disposal to the former holder.

A Non-Qualifying Holder is defined as any person whose ownership of Ordinary Shares, or the transfer of Ordinary Shares to such person, may:

- cause the Company's assets to be deemed "plan assets" for the purposes of the US Internal Revenue Code of 1986 (as amended), or US Employee Retirement Income Security Act of 1974 (as amended);
- cause the Company to be required to register as an "investment company" under the US Investment Company Act 1940;
- cause the Company or any of its securities to be required under the US Exchange Act, the US Securities Act or any similar legislation;
- cause the Company not being considered a "Foreign Private Issuer", as such term is defined in rule 3b-4(c) under the US Exchange Act;
- cause the Investment Manager to be required to register as a municipal Adviser under the US Exchange Act;
- result in the Company being disqualified from issuing securities pursuant to Rule 506 of Regulation D under the US Securities Act;
- cause a loss of partnership status for US federal income tax purposes or a termination of the US partnership under US Internal Revenue Code of 1986 (as amended), Section 708;
- result in a person holding Ordinary Shares in violation of the transfer restrictions put forth in any prospectus published by the Company from time to time; or
- cause the Company to be a "controlled foreign corporation" for the purposes of Section 957 of the US Internal Revenue Code of 1986, (as amended), or may cause the Company to suffer any pecuniary or tax disadvantage or any person who is deemed to be a Non-Qualified Holder by virtue of their refusal to provide the Company with information that it requires in order to comply with its obligations under exchange of information agreements.

Restrictions on Voting Rights

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

Substantial Shareholdings

The Company has received notification of the following disclosable interests in the voting rights of the Company:

	At 31 December 2022		At 27 March 2023	
Shareholder	Number of Ordinary Shares notified	% Interest in Share capital	Number of Ordinary Shares notified	% Interest in Share capital
OMP-SS5	35,525,698	6.89	35,525,698	6.89
Majik Property Holdings Ltd	47,108,719	9.13	47,108,719	9.13

The Company has not been informed of any other changes to the notifiable interests between 31 December 2022 and the date of this report.

As a company registered in Guernsey, the disclosure thresholds for such a non-UK issuer (in accordance with Disclosure Guidance & Transparency Rule 5) are 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

Dividend Policy

The Directors maintain a dividend policy which has due regard to sustainable levels of dividend cover and reflects the Directors' views on the outlook for sustainable recurring earnings, subject to compliance with REIT status requirements. The Directors intend to reinvest proceeds from disposals of assets in accordance with the Company's investment policy.

Under Guernsey law, Shareholders are not required to vote on the payment of a dividend at the Company's AGM. Given the requirement to distribute at least 90% of qualifying property rental business income, it is not thought that this adversely impacts Shareholders' rights.

The Company intends to continue to pursue a progressive dividend policy with quarterly dividend distributions providing shareholders with a regular income. However, the Company reserves the right to review future dividend payments.

- For the purpose of determining the profits available for a dividend distribution, the Company continues to choose to treat all of its net income from the Property Related Business as qualifying property income, notwithstanding that the Company accounts for both property income and interest income.
- The payment and level of dividends will always remain subject to the Company's performance, its financial position, the business outlook and to market conditions.
- It is the Company's intention to continue to declare and pay dividends on a quarterly basis. The dividends for the first, second and third quarters of any specific financial year are expected to be declared at or near the same level on a pence per Share basis (if necessary, as adjusted for any capital raising, consolidation or split). The fourth-quarter dividend in relation to that same financial year will be declared to at least manage compliance with the REIT distribution requirement.
- The Board will resolve to declare any dividends at an appropriate time after the end of the relevant quarter dates, being 31 March, 30 June, 30 September and 31 December. The dividends will be paid approximately one month after being declared.

In order to maintain REIT status, the Company is required to meet a minimum distribution test for each accounting period that it is a REIT. This minimum distribution test requires the Company to distribute at least 90% of the income profits (broadly, calculated using normal tax rules) of the Group to the extent that they are derived from the Property Related Business of the Group (other than any Property Related Business carried on outside the UK by non-UK tax resident members of the Group).

The Company has the ability, by ordinary resolution, to offer Shareholders the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or any part of any dividend (a scrip dividend). At the current time, and following a consultation with Shareholders, it is not the Directors' intention to offer a scrip dividend option for the foreseeable future.

REPORT OF THE DIRECTORS CONTINUED

Results and Dividends

A summary of the Company's performance during the year and the outlook for the forthcoming year is set out in the Chairman's Report and the Asset and Investment Managers' Report on pages 12 to 15 and 23 to 35, respectively.

During 2022, the Company declared one quarterly dividend of 1.70pps and three quarterly dividends of 1.65pps. A fourth quarterly dividend of 1.65pps for the year ended 31 December 2022 was declared on 23 February 2023. This dividend will be paid on 6 April 2023 to Shareholders on the register at the close of business on 3 March 2023. The ex-dividend date was 2 March 2023 (during 2021, the Company declared three quarterly dividends, one of 1.50pps and three of 1.60pps).

Articles of Incorporation

In accordance with the Articles of Incorporation, the Board must seek Shareholder approval to amend the Articles of Incorporation. During the year under review, the Board did not propose a change to the Articles of Incorporation.

Stakeholder Engagement

While the Company has no employees, suppliers or customers, the Directors give regular consideration to the need to foster the Company's business relationships with its stakeholders, in particular with tenants, Shareholders, the Managers and other service providers. The effect of this consideration upon the principal decisions taken by the Company during the financial year is set out in further detail in the Strategic Report on pages 79 to 81.

Relations with Shareholders

Communication with Shareholders remains of critical importance to the Board, who believe that understanding the views of Shareholders is a key factor in the Group's strategic direction and successful development of the business. Further information can be found on pages 79 to 81.

Financial Risk Management

The principal risks and uncertainties faced by the Group and the Group's policies for managing these risks are set out on pages 49 to 59. The principal financial risks relating to financial instruments, including the Company's retail eligible sterling bonds, and details of the risk mitigation factors relating to these financial instruments are set out in note 29.

Environmental, Social and Governance ("ESG")

ESG covers many different aspects of business. We believe in conducting our business activities ethically and responsibly. Our sustainability report is set out on pages 61 to 78. Whilst the Group has no direct social or community responsibilities, the Company is supportive of the Managers' philanthropic activities.

Diversity

The Board of Directors of the Company comprises five males and two females. The Board recognises the importance and benefits of improving the gender and ethnic balance of the Board. Notwithstanding this, the Board does not consider that it would be appropriate to set diversity targets as all Board appointments are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

Further information on diversity and the Company's compliance with the new diversity targets can be found on page 112.

Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance is maintained through the Investment Manager's own insurance policy. Save for the indemnity provisions in the Articles, there are no qualifying third-party indemnity provisions in force.

Auditor

RSM UK Audit LLP was appointed as auditor to the Company on listing on 6 November 2015. RSM UK Audit LLP has expressed its willingness to continue in office as Auditor to the Company and resolutions for its re-appointment and for the Audit Committee to determine its remuneration will be proposed at the forthcoming AGM.

Audit Information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Listing Rules Disclosures

Listing Rule 9.8.4R requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4R, except for the details of any arrangements under which a Director of the Company has waived any emoluments from the Company and the details of any contract of significance in which a Director is or was materially interested.

As set out on page 115, Mr Bee and Mr Inglis do not receive any remuneration from the Company. Furthermore, Mr Inglis is the Chief Executive Officer of London & Scottish Property Investment Management, the Company's Asset Manager and Mr Bee is the Chief Legal Counsel at Toscafund Asset Management LLP, the Company's Investment Manager. The details of the Agreements with the Asset Manager and Investment Manager are set out on page 82 and in note 33.

Annual General Meeting

The Company's 2023 AGM is due to be held on 25 May 2023.

Future Developments

Information on the main trends and future developments likely to affect the Company is detailed with the Strategic Report on pages 9 to 84.

For and on behalf of the Board

Kevin McGrath

Chairman

27 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

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

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

Each of the Directors, whose names and functions are listed on pages 87 and 88, confirms that to the best of each person's knowledge:

- the financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic Report, including the Asset and Investment Managers' Report, includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's position, performance, business model and strategy.

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

Kevin McGrath
Chairman
27 March 2023

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement forms part of the Report of the Directors.

The Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority require listed companies to disclose how they have applied the principles and complied with the provisions of the corporate governance code to which the issuer is subject.

Introduction from the Chairman

I am pleased to introduce this year's Corporate Governance Statement.

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 95, indicates how the Company has applied the principles of recommended governance of the Financial Reporting Council ("FRC") 2018 UK Corporate Governance Code (the "UK Code") and the AIC Code, which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC and the Guernsey Financial Services Commission ("GFSC"), provides more relevant information to Shareholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The Board is accountable to Shareholders for the governance of the Company and is committed to maintaining the highest standard of corporate governance for the long-term sustainable success of the Company.

The UK Code is available on the FRC website (www.frc.org.uk). The AIC Code is available on the AIC website (www.theaic.co.uk) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The GFSC's Finance Sector Code of Corporate Governance (the "GFSC Code"), updated and published in June 2021, applies to all companies that hold a licence from the GFSC under the regulatory laws or which are registered or authorised as collective investment schemes, which includes the Company. Companies which report against the AIC Code are deemed to meet the requirements of the GFSC Code. A copy of the GFSC Code can be obtained via the GFSC website at www.gfsc.gg.

The Principles of the AIC Code

The AIC Code is made up of 18 principles split into five sections:

- Board leadership and purpose
- Division of responsibilities
- Composition, succession and evaluation
- Audit, risk and internal control
- Remuneration

Similar to the UK Code, the AIC Code specifies a "comply or explain" basis and the Board's report under this section explains any deviation from its provisions.

Compliance with the AIC Code

The Board attaches great importance to the matters set out in the AIC Code and strives to observe its principles. Accordingly, the table below reports on the Company's compliance with the recommendations of the AIC Code throughout the year.

Throughout the year ended 31 December 2022, the Board considers that it has managed its affairs in compliance with the AIC Code, except where it has concluded that adherence or compliance with any particular principle or provision of the AIC Code would not have been appropriate to the Company's circumstances. It should be noted that, as an investment company, all of the Directors are non-executive and, being externally managed, the day-to-day responsibilities of the Company are delegated to third parties.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- management performance, remuneration and succession planning;
- workforce policies (including remuneration) and practices; and
- the need for an internal audit function.

For the reasons explained in the AIC Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions.

Moreover, the principles and provisions of the AIC Code have been complied with throughout the year, except for the following:

- as a Guernsey incorporated entity, there are no statutory requirements for the Company to develop a remuneration policy. The steps taken by the MERC to ensure that Directors' fees support the Company's strategy and promote its long-term success are set out in the Remuneration Report on page 115.

BOARD LEADERSHIP AND PURPOSE

AIC Code Principle	Compliance statement
A. A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the Company, generating value for Shareholders and contributing to wider society.	The Board considers the long-term sustainable success of the Company to be its main focus and all decisions are considered from this point of view. The opportunities and risks faced by the business are considered, monitored and assessed on a regular basis. An example of this was the Board's decision to alter the Company's strategy to become a regional office specialist. This was based upon the Asset Manager's unique operating platform and experience coupled with the observed supply and demand imbalance in the office sector. Further details can be found in the Chairman's Statement on pages 12 to 15. Details regarding the principal risk and uncertainties and the sustainability of the business model can be found in the Strategic Report on pages 49 to 59.
B. The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.	The purpose of the Company, as set out on page 3, is to deliver long-term returns for Shareholders with income generated from investment in UK office space outside of the M25 motorway. The strategy that the Board follows in order to execute this is outlined in the Strategic Report on pages 9 to 84. As outlined on page 3, the Board has adopted some key values which are embedded into the culture of the business and are key to any decision made by the Company. The Directors agree that establishing and maintaining an open and inclusive culture among the Board and in its interaction with the Asset and Investment Managers, Shareholders and other stakeholders, will support the delivery of its purpose, values, and strategy. The values and culture of the business are considered as part of the annual Board evaluation process to ensure that they remain a key focus on which all decisions are based.
C. The Board should ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Board and the MERC regularly review the performance of the Company and the performance and resources of the Investment Manager, the Asset Manager and the Company's services providers to ensure that the Company can continue to meet its objectives. The Board assesses performance in a number of different ways including regularly reviewing the financial forecasts and KPIs, as well as debt financing and gearing. The Audit Committee is responsible for assessing and managing risks. The Company's principal risks and uncertainties can be found on pages 49 to 59. Risks are reviewed as part of the Audit Committee's review of the internal controls reports of the Company's key service providers. A risk matrix is maintained, which is also regularly reviewed by the Audit Committee. Further details can be found on pages 109 and 110.
D. In order for the Company to meet its responsibilities to Shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	The Board understands its responsibilities to Shareholders and stakeholders and considers the opinions of all such parties when making any decision. The Board considers that, other than Shareholders, the Company's other key stakeholders are the Company's tenants, its third-party providers and its Asset Manager and Investment Manager. The Board considers the impact any decision will have on all stakeholders to ensure that they are making a decision that promotes the long-term success of the Company, whether this be in relation to dividends, property acquisitions or disposals, etc. Further details can be found on pages 79 to 81. The Directors place considerable importance on Shareholder engagement and on communications with them and all other stakeholders. Shareholders who wish to contact the Board may do so by emailing rgl_cosec@linkgroup.co.uk. All Directors make themselves available to meet Shareholders at the Company's AGM or any other such times as required by Shareholders.

CORPORATE GOVERNANCE STATEMENT CONTINUED

DIVISION OF RESPONSIBILITIES

F.	The chair leads the Board and is responsible for its overall effectiveness in directing the Company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non-executive Directors, and ensures that Directors receive accurate, timely and clear information.	There is a clear division of responsibilities between the Chairman, the Directors, the Asset Manager, the Investment Manager and the Company's other third-party service providers. The Board has approved a policy which sets out the responsibilities of the Chairman, Mr McGrath, and Senior Independent Director, Mr Eason, a copy of which is available on the Company's website. The Chairman is responsible for leading the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Chairman ensures that all Directors receive accurate, timely and clear information and helps promote a culture of openness and debate in Board meetings by encouraging and facilitating the effective contribution of other Directors towards a consensus view. The Chairman also takes a leading role in ensuring effective communications with Shareholders and other stakeholders. The Board meets regularly throughout the year and representatives of the Asset Manager and Investment Manager are in attendance, when appropriate, at each Board and/or Committee meeting. The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing, following consultation with the Asset Manager and the Investment Manager, the Company's investment policy, long-term objectives, commercial strategy, the gearing policy and the setting of any limits and any treasury policies. Prior to each Board and Audit Committee meeting, Directors are provided with a comprehensive set of papers giving detailed information on the Company's portfolio including property acquisitions/disposals and financial position. All Directors have timely access to all relevant management financial and regulatory information.
G.	The Board should consist of an appropriate combination of Directors (and, in particular, independent non-executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.	All of the Directors are non-executive and are independent of the Asset Manager and Investment Manager and the other service providers (with the exception of Mr Inglis who is the Chief Executive Officer and Founder of London & Scottish Property Investment Management, the Company's Asset Manager, and Mr Bee who is the Chief Legal Counsel of Toscafund Asset Management LLP, the Company's Investment Manager). A majority of the Board will at all times be independent of the Asset and Investment Managers. The Chairman, Mr McGrath, was independent of the Asset Manager and Investment Manager at the time of his appointment. The Board considers that he remains independent. None of the Directors is a director of another investment company managed by the Company's Asset Manager or Investment Manager nor has any Board member been an employee of the Company or currently have any connection to any of its service providers (with the exceptions of Mr Inglis and Mr Bee). The Board evaluation concluded that each Director provides a valuable contribution to Board meeting discussions and exercises appropriate levels of challenge and debate.
H.	Non-executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account.	As part of the Board evaluation process, the contributions of each Director, as well as the time commitments made by each Board member are considered and reviewed by the Nomination Committee. More information can be found on pages 103 and 104. The MERC reviews the performance and cost of the Company's third-party service providers on an annual basis. More information regarding the work of the MERC can be found on page 113.
I.	The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are in place and followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.

COMPOSITION, SUCCESSION AND EVALUATION

J.	Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	The Board has adopted a diversity policy, which acknowledges the benefits of greater diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. The Board has a Nomination Committee, which is comprised of the independent non-executive Directors. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the following objectives for the appointment of Directors have been established: • all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective; and • long lists of potential non-executive Directors should include diverse candidates of appropriate merit. The Company is committed to ensuring that any vacancies to the Board arising in the future are filled by the most qualified candidates, whilst ensuring the benefits of greater diversity. More details on the Director appointment process and on succession planning can be found on page 111. The Board is aware of the changes to the Listing Rules in relation to diversity and further information can be found on pages 111 and 112.
K.	The Board and its Committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	Directors' biographical details are set out on pages 87 and 88 of this report. These demonstrate the wide range of skills and experience that the Directors bring to the Board including the property sector, investment trusts, and financial and public company management. The Board has approved a tenure policy, which encompasses the whole Board and Chairman, to ensure that the Board continues to have the right balance of skills and experience. Each Director was appointed with a view to establishing a Board with a good combination of skills, experience and knowledge. This is reviewed as part of the annual Board process. When considering new appointments, the Board, through the Nomination Committee will review the skills of the Directors and seek to add persons with complementary skills or who possess skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively. Where appropriate, the need for diversity on the Board will be taken into account when considering new appointments. The Company's diversity policy can be found on page 100. The policy has been updated in light of the new Listing Rules on diversity.
L.	Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.	The Directors are aware of the need to continually monitor and improve performance and recognise that this can be achieved through undertaking a regular Board evaluation exercise, providing a valuable feedback mechanism for improving Board effectiveness. The Board agreed that the use of an externally facilitated evaluation service provider was not necessary during the year ended 31 December 2022. However, this will be kept under review. During the year, the Company undertook an internal Board Evaluation exercise to review the effectiveness of the Board as a whole, its Committees and individual Directors (including the independence of each Director and their ability to commit sufficient time to the Company's activities). The Evaluation was conducted, following the year end, by way of the Directors completing tailored questionnaires. The performance of the Chairman was similarly evaluated by the other Directors, led by the Senior Independent Director, Mr Eason. The results of the Evaluation, which were discussed collectively by the Nomination Committee at its meeting in March 2023, were positive and are set out on pages 103 and 104. As a result of the evaluation, the Board is satisfied that all Directors are independent, with the exception of Mr Inglis and Mr Bee, and that all Directors contribute effectively and have the skills and experience relevant to foster the effective leadership and direction of the Company. All Directors are able to commit sufficient time to the Company's activities. It is recommended that Shareholders vote in favour of each Director's re-election at the forthcoming AGM. All Directors are subject to annual re-election by Shareholders. More information regarding the proposed re-election of each Director can be found in the Notice of Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT CONTINUED

AUDIT, RISK AND INTERNAL CONTROL

M.	The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Audit Committee has put in a place a non-audit services policy, which ensures that any work outside the scope of the standard audit work requires prior approval by the Audit Committee. This enables the Committee to ensure that the external auditors remain fully independent. In addition, the Audit Committee carries out a review of the performance of the external auditor on an annual basis. Feedback from other third parties, including the Asset Manager and Investment Manager, is included as part of this assessment to ensure the Audit Committee takes into account the views of different parties who have a close working relationship with the external auditor. Further information regarding the work of the Audit Committee can be found on pages 107 to 110.
N.	The Board should present a fair, balanced and understandable assessment of the Company's position and prospects.	The Audit Committee has considered the Audited Annual Report and Financial Statements as a whole and agreed that it presents a fair, balanced, and understandable assessment of the Company's position and prospects.
O.	The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.	Risks faced by the Company are considered, monitored and assessed on a regular basis by the Audit Committee. Details in respect of the Company's principal risks and uncertainties and the appropriate measures taken to mitigate each risk can be found on pages 49 to 59. Given the nature of the business, the Company is reliant on its service providers and their internal controls. The Audit Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon. The Chairman of the Audit Committee meets, at least annually, with representatives of each of the Asset Manager and Investment Manager independently, to review and discuss the internal controls within their businesses.

REMUNERATION

P.	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	In respect of Directors' remuneration, the Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. As stated in the Remuneration Report on page 115, the Company's approach to non-executive Directors' remuneration is that remuneration should reflect the experience of the Board as a whole and the responsibilities and time commitments each Director would have to devote to the Company's affairs.
Q.	A formal and transparent procedure for developing policy remuneration should be established. No Director should be involved in deciding their own remuneration outcome.	The MERC considers at least annually the level of Directors' fees and compares these with the fees paid by the Company's peer group and industry generally, taking into account the time commitment and responsibility of each Board member. Further details on the Directors' remuneration are contained in the Directors' Remuneration Report on page 116. No Director is involved in deciding their own remuneration.
R.	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances.	Any decision with regard to remuneration is taken by the MERC after considering the performance of the Company and the current market conditions.

The Board of Directors

The Board consists entirely of Non-Executive Directors, who have all served throughout the period. Biographical details of the Directors of the Company are shown on pages 87 and 88.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below.

The Company's culture is set out on page 84. The values of the Company are set out on page 3. These values are considered in Board decision making. The purpose of the Company is the investment objective, which can be found on page 18. The strategy that the Board follows to meet this objective is outlined in the Strategic Report on page 18. The business model that the Company operates is set out on pages 17 to 22.

The Board ensures that the necessary resources are in place for the Company to meet its objectives. It does this predominately through its engagement with third-party service providers. The Board regularly reviews financial forecasts and KPIs, as well as debt financing and gearing. Further details can be found on pages 44 to 48 of the Strategic Report.

The Board is responsible for all matters of direction and control of the Company and the Group, including its investment policy and strategy, and no one individual has unfettered powers of decision making. As part of this, the opportunities and risks faced by the business are considered, monitored and assessed on a regular basis, both in terms of actual and emerging risks that the business may face. Emerging risks are identified by the Board through a variety of means including advice from the Company's Managers, the AIC and Directors' industry knowledge and market changes and events.

More detail regarding the principal risks and uncertainties, emerging risks and the sustainability of the business can be found in the Strategic Report on pages 49 to 59.

Board Operation

There is a clear division of responsibilities between the Board and the Managers. The Directors have agreed a formal schedule of matters specifically reserved for their approval. The schedule of matters reserved to the Board includes, but is not limited to the following:

- approval of asset acquisitions and disposals over £15 million;
- approval of capital expenditure;
- approval of the Company's borrowings;
- approval of the Company's investment policy, long-term objectives and commercial strategy;
- approval of the gearing policy of the Company;
- approval of annual and half-yearly reports and financial statements and accounting policies, prospectuses, circulars and other Shareholder communications;
- raising new capital;
- approval of dividends;
- Board appointments and removals; and
- appointment and removal of the Asset Manager, Investment Manager, Auditor and the Company's other service providers, including the Company Secretary.

A copy of the schedule of matters reserved for the Board can be found on the Company's website.

To assist the Board in the day-to-day operations of the Company, arrangements have been put in place to delegate authority for the performance of day-to-day operations of the Company to the Asset Manager and Investment Manager and other third-party service providers. The Board has appointed the Asset Manager and Investment Manager to manage the Company's portfolio within guidelines set by the Board, detailed in the respective management agreements with the Company. Both Managers are in frequent contact with the Board and supply the Directors with regular updates on the Company's activities and a detailed report at each Board meeting.

The Board, at its regular meetings, undertakes reviews of key investment and financial data, analyses of asset allocation, peer group information, the economy generally, transactions and performance comparisons, Share price (whether at a discount or premium to NAV) and NAV performance. It receives an update from the Asset Manager on property market conditions and trends, movements compared to previous quarters, yields on properties within the portfolio, lease lengths and letting activity, including estimated rental values and vacant properties. The Board also receives an update from the Investment Manager on investor relations. Discussions also take place on strategic proposals, developments and legal and governance matters.

Representatives of each of the Asset and Investment Manager are appointed to the Board, which facilitates communication between them and the Board and supplements the regular reporting to the Directors.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Board Meeting Attendance

The Directors meet at regular Board meetings, held at least four times a year, with additional meetings arranged as necessary. During the year under review, the number of scheduled Board meetings attended by each Director was as follows:

	Scheduled Board Meetings	
Director	Number entitled to attend	Number attended
Kevin McGrath	5	5
William Eason	5	4
Daniel Taylor	5	5
Frances Daley	5	5
Stephen Inglis	5	5
Tim Bee	5	4
Massy Larizadeh*	2	2

**Appointed on 1 June 2022*

Additional Board meetings were also held as required during the year, including to deal with corporate transactions such as property disposals and acquisitions and dividends. The Board also held an all-day strategy meeting during the year.

The Board follows a formal agenda, which is approved by the Chairman and circulated by the Company Secretary in advance of the meeting to all the Directors and other attendees. A typical agenda includes a review of performance with a detailed update from the Asset and Investment Manager on the property portfolio, investment opportunities and disposals, the Company's financial performance, updates on investor relations and specific regulatory or governance matters. Representatives of the Company's Advisers are invited to attend Board meetings from time to time, particularly the Company's Corporate Broker and Financial Adviser and Legal Adviser.

The Board is responsible for the strategy of the Company and monitors performance against its agreed strategy on an ongoing basis.

The Board is responsible for setting the overall strategic objectives of the Company and meets once a year to focus exclusively on strategy.

Board Evaluation

The Directors are aware of the need to continually monitor and improve performance and recognise that this can be achieved through undertaking a regular Board evaluation exercise, providing a valuable feedback mechanism for improving Board effectiveness. The Board agreed that the use of an externally facilitated evaluation service provider was not necessary this year, however, this will be kept under review.

During the year under review, the Directors opted to undertake an internal performance evaluation specifically designed to assess the strengths and independence of the Board and the Chairman, individual Directors and the performance of its committees. The evaluation was conducted using tailored questionnaires and was structured to analyse the focus of Board composition and effectiveness, the efficiency of Board and Committee meetings, and to assess whether the operation of such meetings was appropriate, as well as whether any additional information may be required to facilitate better Board discussions. The Board was also asked to consider Board support, strategic operational oversight, culture, Shareholder engagement and succession planning. The evaluation identifies any areas for improvement and areas of knowledge and expertise which would be considered as part of succession planning.

The evaluation process was carried out post year end and responses were collated by the Company Secretary. The independence of the Directors and their ability to commit sufficient time to the Company's activities was considered as part of the evaluation process. The performance of the Chairman was evaluated by the other Directors, led by the Senior Independent Director.

Overall, the results of the evaluation were positive, with Director engagement and preparation for meetings, and combined knowledge of the property sector viewed as particular strengths. There were no significant concerns raised by the Directors relating to the effectiveness of the Board.

The results of the evaluation process, which were discussed collectively by the Nomination Committee, indicated that the Board and its Committees continue to work well at a high standard and there are no significant concerns among the Directors about the Board's effectiveness.

In particular, the Directors believed that the issues most fundamental to the Company's strategy were reviewed and understood and time was used efficiently in meetings and allocated its time appropriately to the key issues facing the Company. The Board agreed that the Managers interacted frequently and effectively with the Company's shareholders. However noted that some improvement was needed in relation to its direct communication with the Company's shareholders and stakeholders in order to better understand their attitudes to various issues including ESG matters. Other areas of strength included the skills and experience of Board members, in particular to both challenge and support the Managers. The Board is mindful of corporate governance best practice in the context of future succession planning. An orderly succession planning process is a key area of focus for the Board in relation to both the Chairman and the other Non-Executive Directors. A diverse pipeline of candidates will be developed as part of this ongoing process.

Additionally, the review of the Chairman's performance was positive, and the other Directors considered that the Chairman remained independent and that he continued to strongly and effectively lead the Board.

As a result of the evaluation, the Board is satisfied that all Directors are independent, with the exception of Mr Inglis and Mr Bee, and that all Directors contribute effectively and have the skills and experience relevant to foster the effective leadership and direction of the Company. All Directors can commit sufficient time to the Company's activities.

Election and Re-election of Directors

In accordance with the Company's Articles and the AIC Code, Directors are subject to election by Shareholders at the first AGM after their appointment. Thereafter all Directors submit themselves for annual re-election by Shareholders at the AGM of the Company. Ms Larizadeh will stand for election at the Company's AGM in 2023.

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

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

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

Tenure

Each Director has a letter of appointment setting out their terms of appointment. These letters detail an initial three-year appointment, but each Director may be invited by the Board to serve for an additional period of three years, if both the individual Director and the Board believe this is in the interest of the Company, having taken into account the independence of the Director.

Directors are initially appointed by the Board until the following AGM when, as required by the Company's Articles, they will stand for election by Shareholders. Thereafter, a Director's appointment is subject to an annual performance evaluation and the approval of Shareholders at each AGM, in accordance with corporate governance best practice.

The Board has adopted a formal tenure policy for Directors based on a continual review of performance. It is not anticipated that any of the Directors would normally serve in excess of nine years in order to provide regular refreshment of the Board and facilitate diversity of the Board. In exceptional circumstances, which would be fully explained to Shareholders at the time, an extension might be appropriate.

Similarly, it is not anticipated that the Chairman will normally serve in excess of nine years, this limit being decided by the Board in consideration of the need for regular Board refreshment. However, given the entirely non-executive nature of the Board and as the Chairman may not be appointed as such at the time of their initial appointment as a Director, in exceptional circumstances, which would be fully explained at the time, a short extension might be appropriate. As with all Directors, the continuing appointment of the Chairman is subject to ongoing review of performance, including a satisfactory annual evaluation, annual re-election by Shareholders and may be further subject to the particular circumstances of the Company at the time he or she intends to retire from the Board.

The Nomination Committee, which consists entirely of the Company's independent Directors, would be expected to lead the process of the appointment of any new Director to the Board as and when vacancies arise and as part of the Directors' ongoing succession plans. As part of this process, the use of an external executive search agency will be considered.

Induction and Training

On appointment, the Asset Manager, Investment Manager and Company Secretary provide new Directors with induction training as appropriate. The training covers the Company's investment strategy, policies and practices. The Directors are also given regular briefings on changes in law and regulatory requirements that affect the Company and the Directors. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of Directors' training needs are carried out by the Chairman by means of the evaluation process. The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible for general secretarial functions and for assisting the Company with compliance with its continuing obligations as a company listed on the premium segment of the Official List. The Company Secretary is also responsible for ensuring good information flows between all parties. When deemed necessary, the Directors can seek independent professional advice.

CORPORATE GOVERNANCE STATEMENT CONTINUED

During the year, the Directors received a presentation on ESG provided by Governex Limited, a consultancy offering risk management support, assistance in helping organisations exploit sustainability opportunities, and undertakes independent sustainability assurance audits.

Conflicts of Interest

It is the responsibility of each individual Director to avoid a conflict-of-interest situation arising. The Company's Articles permit a Director to act in a situation where a Director has disclosed the nature and extent of an interest that conflicts, or may possibly conflict, with the interests of the Group in accordance with the Law.

The Board has established a formal process whereby actual and potential conflicts of interests are considered by the Directors who have no interest in the matter, who then decide whether to authorise the conflict and any conditions to be attached to such authorisations.

The Directors are able to impose limits or conditions when giving authorisation, if they think this is appropriate in the circumstances. A register of potential conflicts is maintained by the Company Secretary and is reviewed at each Board meeting to ensure that any authorised conflicts remain appropriate. Directors are required to confirm at these meetings whether there has been any change to their position.

Board Committees

The Board has three Committees in operation and has delegated certain responsibilities to the Audit Committee, the Management Engagement and Remuneration Committee ("MERC") and the Nomination Committee. The Board has established formal terms of reference for each of the Committees, which are available on the Company's website.

Audit Committee

The Audit Committee comprises the five Independent Directors and is chaired by Ms Daley. It will meet at least twice a year, or more often if required. The Chairman of the Company is a member of the Audit Committee but does not act as Committee Chairman.

All members of the Audit Committee are considered to have relevant experience in the industry in which the Company operates. The Board is also satisfied that at least one member of the Audit Committee has recent and relevant financial experience and the Chairman is a chartered accountant with experience in corporate finance.

Any individual who is not a member of the Audit Committee is not entitled to attend or to vote at its meetings. However, the Audit Committee may invite anyone to attend Committee meetings at its discretion and representatives of the external Auditor are invited to attend as necessary. An Audit Committee Report is set out on pages 107 to 110.

Management Engagement and Remuneration Committee ("MERC")

The MERC comprises the five Independent Directors and is chaired by Mr Eason. It will meet at least once a year, or more often if required. The Chairman of the Company is a member of the MERC but does not act as Committee Chairman.

Although an individual who is not a member of the MERC is not entitled to attend and vote on matters at its meetings, the Committee may invite anyone to attend at its discretion. The MERC Report is set out on pages 113 and 114.

Nomination Committee

The Nomination Committee comprises the five Independent Directors and is chaired by Mr Eason. The Nomination Committee meets at least once a year, or more often if required. The Chairman of the Company is a member of the Nomination Committee but does not act as Committee chairman.

Although an individual who is not a member of the Nomination Committee is not entitled to attend and vote on matters at its meetings, the Committee may invite anyone to attend at its discretion. The Nomination Committee Report is set out on pages 111 and 112.

Management of Risk and Internal Controls

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness, ensuring that risk management and control processes are embedded in day-to-day operations.

The Board has established an ongoing process for identifying, evaluating and managing significant risks with the aim of helping to safeguard the Company's assets. The Board exercises its oversight of financial, reporting, compliance, operational and overall risks by relying on regular reporting on performance and other management information from the Asset and Investment Managers. These procedures are designed to manage rather than eliminate risk. The Board manages risks as set out below:

- the Board, through the Audit Committee, will conduct a risk and control assessment on an annual basis, including a review of the internal controls procedures of the Company's principal third-party service providers;
- the responsibilities for the investment management, asset management, accountancy and depositary functions are segregated, and the procedures of the third-party service providers are designed to safeguard the Company's assets;
- the Board is kept regularly updated by each of the Asset Manager and Investment Manager outside of scheduled Board meetings and each Manager provides reports at each meeting of the Board; and
- under the terms of the Asset Management Agreement between the Company and the Asset Manager, Board approval is required for purchases of property exceeding £15 million in value and for disposals exceeding £15 million in value.

Details of the Company's internal control and risk management systems in relation to the financial consolidation reporting process can be found on pages 109 and 110.

Regular risk assessments and reviews of internal controls are undertaken in the context of the Company's overall investment objective by the Board, through the Audit Committee.

A risk matrix has been produced against which the risks identified and the controls in place to mitigate those risks are monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them. This risk register is reviewed by the Audit Committee every six months.

The principal risks that have been identified by the Board are set out on pages 49 to 59.

The Board reviews financial information produced by the Investment Manager and the Sub-Administrator on a regular basis.

Most functions for the day-to-day management of the Company are sub-contracted, and the Directors therefore obtain regular assurances and information from principal third-party suppliers regarding the internal systems and controls operated in their organisations. In addition, each of the Company's material third parties, excluding the Asset Manager and Investment Manager, provides a copy of its report on internal controls each year, which is reviewed by the Audit Committee.

The Audit Chairman, on behalf of the Audit Committee, meets with representatives of the Asset Manager and Investment Manager to discuss and review their internal controls. The Depositary provides depositary services under the AIFMD to the Company and reports on an annual basis to the Company, in addition to quarterly reports, on its specific monitoring of cash transactions and asset verification.

Taking into account the principal and emerging risks provided on pages 49 to 59 and the ongoing work of the Audit Committee in monitoring the risk management and internal control systems on behalf of Board, the Directors:

- are satisfied that they have carried out a robust assessment of the emerging and principal risks facing the Group; and
- have reviewed the effectiveness of the risk management and internal controls systems and no significant failings were identified.

This statement was approved by the Board of Directors and signed on its behalf by:

Link Company Matters Limited

Company Secretary

27 March 2023

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee Report for the year ended 31 December 2022, which provides an overview of our activities and our role in ensuring the integrity of the Group's published financial information and effectiveness of its risk management, controls and related processes.

Frances Daley
Chairman of the Audit Committee

As set out on page 105, the Audit Committee is a Board Committee with governance responsibilities that include the oversight of financial disclosures and corporate reporting, and it is therefore important that the Committee operates effectively and efficiently. The Committee meets at least twice annually, and its quorum is two members.

Audit Committee Composition

During the year under review, the membership of the Audit Committee comprised the five independent non-executive Directors. None of the members of the Committee are connected to either the Asset Manager or Investment Manager or to the Auditor. Whilst Mr McGrath is an independent Director, he is also Chairman of the Company. The Committee has considered it beneficial to have Mr McGrath as a member of the Committee as he was independent on appointment and provides significant input into Audit Committee meetings.

I am a qualified accountant, a Fellow of the Institute of Chartered Accountants in England and Wales. The Board and I consider that I have an appropriate level of recent and relevant financial experience to discharge my duties as Chairman of the Audit Committee.

The Audit Committee's role and responsibilities are set out in the terms of reference, which were last updated in March 2020 and are available on the Company's website at www.regionalreit.com.

Role of the Audit Committee

The principal duties of the Audit Committee, as outlined in its terms of reference, are:

Financial Reporting

- to review the integrity and contents of the half-yearly financial statements, full-year financial statements and preliminary results announcement of the Company;
- to review and report to the Board on any significant financial reporting issues and judgements, having regard to any matters communicated to it by the Auditor; and
- as requested by the Board, to review the contents of the Annual Report and audited financial statements and to advise the Board on whether, taken as a whole, the report is fair, balanced and understandable and provides Shareholders with sufficient information to assess the Company's position and performance, business model and strategy.

Risk Management and Control

- to keep under review the adequacy of the Company's Asset and Investment Manager and third-party service providers' internal controls and risk management systems;
- review the Company's risk register, including significant and emerging risks; and
- to assess the prospects of the Company for the next twelve months and to consider its longer-term viability.

External Audit

- to manage the relationship with the Company's external Auditor, including reviewing the Auditor's remuneration, re-appointment, terms of engagement, objectivity and independence and performance. The Committee makes recommendations to the Board as appropriate;
- to review the policy on the engagement of the Auditor to supply non-audit services and the fees paid for such services;
- to safeguard the Auditor's independence and objectivity; and
- to regularly review the need for an internal audit function.

External Property Valuation

- to review the quality and appropriateness of the half-yearly and full-year external valuations of the Group's property portfolio.

Other

- to review the Committee's terms of reference and performance effectiveness; and
- to report to the Board on how it has discharged its responsibilities.

The Audit Committee reports and makes recommendations to the Board, as appropriate.

Meetings

The Audit Committee met on three occasions during the year and once post the year end to consider the audit findings report and the Financial Statements.

Attendance at these scheduled meetings was as follows:

Member	Scheduled Audit Committee Meetings Number of meetings entitled to attend	Number attended
Frances Daley (Chairman)	3	3
William Eason	3	3
Kevin McGrath	3	3
Daniel Taylor	3	3
Massy Larizadeh*	1	1

**Appointed on 1 June 2022*

Matters Considered by the Audit Committee in the Year

At these meetings, the Audit Committee has:

- reviewed the internal controls and risk management systems of the Company and its key third-party service providers;
- reviewed financial results;
- reviewed and, where appropriate, updated the Company's Financial Position and Prospects Procedures;
- reviewed the Group's banking arrangements;
- reviewed the assessment of the Company's prospects and viability made by the Investment Manager for the next three years which formed the basis for the viability statement (see page 60);
- agreed the audit plan with the Auditor, including the principal areas of focus, and agreed the audit fee;
- reviewed the half-year and annual valuation reports from Cushman & Wakefield Debenham Tie Leung Limited (trading as Cushman & Wakefield);
- reviewed whether an internal audit function would be of value;
- received and discussed with the Auditor their report on the results of the audit;
- reviewed the provision of non-audit services by the Auditor;
- reviewed the independence of the Auditor;
- made recommendations to the Board regarding the reappointment of the Auditor; and
- reviewed the Group's Financial Statements and advised the Board accordingly.

The Administrator and the Investment Manager update the Audit Committee on changes to accounting policies, legislation and best practice and areas of significant judgement undertaken by the Investment Manager.

AUDIT COMMITTEE REPORT CONTINUED

Significant Matters Considered by the Audit Committee

The Committee considered the following key matters in relation to the Company during the period:

Property Portfolio Valuation

The Committee recognises that the valuation of the properties within the Company's portfolio is central to the Company's business and that errors could have a material impact on the Company's net asset value. Properties are independently valued by specialist third-party service provider Cushman & Wakefield at the half year and year end. Furthermore, as part of the annual independent audit process, the Company's Auditor, RSM UK Audit LLP, carries out an assessment of the property portfolio valuation provided by Cushman & Wakefield which includes using their own expert, providing the Committee further comfort that property valuations are materially accurate.

The valuations are prepared in accordance with the appropriate sections of the RICS Professional Standards, RICS Global Valuation Practice Statements, RICS Global Valuation Practice Guidance-Applications and United Kingdom Valuation Standards contained within the RICS Valuation-Professional Standards 2014. The valuations are compliant with International Valuation Standards.

The Asset Manager has held open discussions with the valuers throughout the year on the valuation process to discuss and challenge various elements of the property valuations. The Auditor also meets with the independent property valuer as part of the audit process to discuss and challenge their approach and findings. The Auditor has also engaged its own independent expert to consider the valuation.

The Committee reviewed the half-year valuation as at 30 June 2022 and, since the year end, the Committee has considered the year-end valuation report. It discussed the year-end report with representatives at Cushman & Wakefield and the Asset Manager. The Committee was satisfied with the valuation report. The performance of Cushman & Wakefield is assessed on an annual basis by the MERC, as set out in their report on page 113.

Going Concern and Long-Term Viability of the Company

The Audit Committee considered the Company's financial requirements for the next twelve months and concluded that it has sufficient resources to meet its commitments and any outstanding loan covenants. Consequently, the financial statements have been prepared on a going concern basis.

The Audit Committee also considered the longer-term viability statement within the Annual Report for the year ended 31 December 2022, covering a three-year period, and the underlying factors and assumptions which contributed to the Committee deciding that three years was an appropriate length of time to consider the Company's long-term viability. The Company's viability statement can be found on page 60.

External Auditor

The Audit Committee has primary responsibility for overseeing the relationship with the external Auditor, RSM UK Audit LLP. This includes assessing their performance, effectiveness and independence annually and recommending to the Board their reappointment or removal.

RSM UK Audit LLP has been Auditor to the Company since listing on 6 November 2015. Mr Alan Aitchison is the Audit Partner. In accordance with requirements relating to the appointment of auditors, the Company will conduct a competitive audit tender no later than in respect of financial year ending 31 December 2025. There are no contractual obligations that would restrict the Audit Committee from selecting an alternative external Auditor.

Each year, the Audit Committee monitors and reviews the effectiveness of the external audit process for the Annual Report, undertakes a detailed review of the audit plan and the audit results report and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor.

Working with the Auditor

Each year, the Audit Committee meets with the lead audit partner before the annual results are prepared to discuss the scope of the audit plan, with a particular focus on risk and materiality. The external Auditor further meets with the Audit Committee post the year end audit work being completed to discuss the findings of the external audit and to consider and evaluate any findings. To facilitate further open dialogue and assurance, the Audit Committee holds a private session with the Auditor without members of the Asset Manager and Investment Manager being present.

Financial Reporting

It is a principal responsibility of the Audit Committee to review and report to the Board on the Group's financial statements, including the Preliminary Statement, the Annual Report and Half-Year Report. When conducting its reviews, the Committee considers the overall requirement that the financial statements present a "true and fair view" of the Company's accounting policies and significant financial judgements. We are pleased to advise the Board that the 2022 Annual Report and the audited Financial Statements taken as a whole are fair, balanced and understandable and provide the necessary information for our Shareholders to assess the Company's position and performance, business model and strategy.

Risk Management and Control

On an annual basis, the Audit Committee reviews the internal controls and risk management systems of the Company's key third-party service providers. No significant matters of concern were raised. On an annual basis, the Chairman of the Audit Committee meets with representatives of each of the Asset Manager and Investment Manager to discuss and review their internal controls and compliance. There were no significant matters of concern identified from these meetings. The

Audit Committee has reviewed and updated, where appropriate, the risk matrix. This is done on a six-monthly basis. The Company's principal risks and uncertainties are set out on pages 49 to 59. During the year, the Committee reviewed the impact of climate change, and this was added as a risk to the Company's risk matrix. The Committee continues to monitor inflation.

Annual Review of the External Auditor

The Audit Committee has undertaken a review of the effectiveness of the external audit process and considered the reappointment of the Auditor. The review comprised, amongst other factors, the quality of the staff, including the performance of the lead audit partner, the competence and expertise of the audit team, the resources, and communication between the audit team and the Asset Manager and Investment Manager.

Any concerns with the effectiveness of the external audit process would be reported to the Board. No concerns were raised in respect of the year ended 31 December 2022 and the Audit Committee concluded that the quality of the external Auditor's work, and the knowledge and competence of the audit team, had been maintained at an appropriate standard during the year.

Audit Fees and Non-Audit Services

An audit fee of £99,400 was agreed in respect of the audit of the Company for the year ended 31 December 2022 (2021: £88,400). The Group's audit fees for the year ended 31 December 2022 totalled £224,400 (2021: £205,400).

In order to help safeguard the external Auditor's independence and objectivity, the Audit Committee has a policy on the engagement of the Auditor to supply non-audit services, taking into account the recommendations of the Accounting Practices Board. The scope and nature of all non-audit work to be carried out by the Auditor must be approved by the Audit Committee in advance and such approval will not be granted in circumstances where it is considered that the nature or cost of the work could interfere with the external Auditor's independence.

The Auditor provided audit-related services in respect of agreed-upon procedures on the Group's interim financial statements for the period ended 30 June 2022. The fee charged for this service was £29,250 (2021: £27,100). The Audit Committee considered this service to be closely aligned to the role as Auditor. The Auditor did not provide any non-audit services to the Company for the year under review (2021: £nil).

Independence and Objectivity of the Auditor

The Audit Committee has considered the independence and objectivity of the Auditor and has conducted a review of non-audit services which the Auditor has provided during the year under review. The Audit Committee receives an annual assurance from the Auditor that its independence is not compromised by the provision of non-audit services and that it maintains appropriate internal safeguards in line with applicable professional standards.

In evaluating the performance of the Auditor, the Audit Committee considered the effectiveness of the audit process, taking consideration of the quality of delivery, staff expertise, audit fees and the Auditor's independence, along with matters raised during the audit.

Having considered the Auditor's independence in respect of the year under review, the Audit Committee is satisfied with the Auditor's performance, objectivity and independence.

The Audit Committee reviews the continuing appointment of the Auditor on an annual basis and gives regular consideration to the Auditor's fees and independence, along with matters raised during each audit.

Auditor Appointment

Following consideration of the performance of the Auditor, the service provided during the year and a review of their independence and objectivity, the Audit Committee has recommended to the Board the continued appointment of RSM UK Audit LLP as the Company's external independent Auditor.

Internal Audit

The Audit Committee reviewed whether an internal audit function would be of value and concluded that there is no need for an internal audit function, principally because the Company delegates its day-to-day operations to third parties that are monitored by the Committee and, which provide control reports on their operations at least annually. In addition, given the limited size and complexity of the business, it was agreed that an internal audit function would provide minimal added comfort at considerable extra cost to the Company.

Committee Effectiveness

During the year, the Board carried out an internally facilitated evaluation of its performance and that of its Committees. This evaluation confirmed that the Audit Committee continued to operate at an appropriate standard.

Frances Daley

Chairman
Audit Committee
27 March 2023

NOMINATION COMMITTEE REPORT

I am pleased to present our Nomination Committee Report for the year ended 31 December 2022, which provides an update on the nomination activities through the year.

William Eason
Chairman of the Nomination Committee

Role of the Nomination Committee

The principal duties of the Nomination Committee, as outlined in its terms of reference, are:

- to keep under review the structure, size and composition of the Board (including a review of the scope to further promote skills, knowledge, experience and diversity) and the membership of its Committees;
- to consider and formulate succession planning for the Board;
- identify suitable candidates for the role of Senior Independent Director; and
- lead and manage the process for the appointment of new Directors, including the Chairman to the Board.

Composition

The Nomination Committee, whose membership consists solely of the independent non-executive Directors and myself as Chairman.

The Nomination Committee met on three occasions during the year. Attendance at these scheduled meetings was as follows:

	Scheduled Nomination Committee Meetings	
Member	**Number of meetings entitled to attend**	**Number attended**
William Eason (Chairman)	3	3
Frances Daley	3	3
Kevin McGrath	3	3
Daniel Taylor	3	3
Massy Larizadeh*	1	1

The Nomination Committee is required to meet at least once annually, and its quorum is two members.

Matters Considered by the Nomination Committee in the Year

Succession Planning

An important aspect of the Nomination Committee's role is to consider succession planning processes to ensure the orderly replacement of Board members. Succession planning was a key focus of the Committee for 2022 following its assessment of the tenure of current Board members and will continue to be a focus in 2023. In January 2022, the Board engaged Nurole Limited, an independent external search consultancy with no connection to the Company or its Directors to assist with recruitment. With the assistance of Nurole, and following an extensive external search, the Committee appointed Massy Larizadeh as Non-Executive Director with effect from 1 June 2022. The Committee shortlisted and interviewed potential candidates and concluded that Ms Larizadeh was a standout candidate given her high calibre background and experience, whilst also demonstrating an understanding that acting in the Company's shareholders' best interests was of paramount importance.

Board Diversity

The Board's policy on diversity is to ensure that the Directors on the Board have a broad range of experience, skills and knowledge, with diversity of thinking, background and perspective. Appointments to the Board are made on merit against objective criteria, having regard to the benefits of diversity and the current and future needs of the business and the other factors set out in the AIC Code.

Diversity, including, but not limited to, gender, social background, ethnicity, age, sexual orientation, disability and professional and industry specific knowledge, is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The committee notes the new FCA rules on diversity and inclusion on company boards, namely, that from accounting periods starting on or after 1 April 2022:

a. At least 40% of individuals on the Board to be women;

b. At least one senior Board position to be held by a woman; and

c. At least one individual on the Board to be from a minority ethnic background.

**Appointed on 1 June 2022*

The committee continues to develop its succession planning in line with these recommendations and is opting to disclose its diversity data earlier than required by the recommendations for full transparency.

In accordance with Listing Rule 9 Annex 2.1, the below tables, in prescribed format, show the gender and ethnic background of the Directors at the date of this Report.

Gender identity or sex	Number of Board members	Percentage on the Board	Number of senior positions on the Board
Men	4	57%	2
Women	2	29%	–
Not specified/ prefer not to say	1	14%	–

Ethnic background	Number of Board members	Percentage on the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	5	71%	2
Mixed/Multiple Ethnic Groups	–	–	–
Asian/Asian British	–	–	–
Black/African/ Caribbean/Black British	–	–	–
Other ethnic group, including Arab	1	14%	–
Not specified/ prefer not to say	1	14%	–

The data in the above tables was collected through self-reporting by the Directors.

Board Evaluation

As detailed on page 103, the Committee reviewed the results of the Board evaluation.

Election and Re-election of Directors

All Board members will stand for election and re-election at the 2023 AGM. The Committee and the Board have concluded that each Director standing for election and re-election at the AGM continues to demonstrate the necessary skills, experience and commitment to contribute effectively and add value to the Board. Biographies of each Director are available on pages 87 and 88. It is the Committee's and the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success. Details of the Board evaluation and effectiveness process can be found on pages 103 and 104.

Committee Effectiveness

In 2022, the Nomination Committee's focus was on succession planning, with consideration being given to the diversity of the Board. For 2023, the Nomination Committee will continue to focus on succession planning and will also monitor the actions arising out of this year's performance evaluation exercise.

William Eason

Chairman

Nomination Committee

27 March 2023

MANAGEMENT ENGAGEMENT AND REMUNERATION COMMITTEE REPORT

I am pleased to present the Management Engagement and Remuneration Committee ("MERC") Report for the year ended 31 December 2022.

William Eason
Chairman of the Management Engagement and Remuneration Committee

Role of the Management Engagement and Remuneration Committee

The principal duties of the MERC are:

- to recommend and monitor the appropriateness of the ongoing appointment of the Asset Manager and Investment Manager of the Company and make a recommendation to the Board thereon;
- to recommend and monitor the appropriateness of the level of fees of the Asset Manager and Investment Manager and make a recommendation to the Board thereon;
- to recommend and monitor the appropriateness of the ongoing appointment of the third-party service providers and make a recommendation to the Board thereon;
- to monitor and agree the level and structure of remuneration of the Directors of the Company;
- to authorise the policy for authorising claims for expenses from the Directors; and
- to select, appoint and set the terms for any remuneration consultant who advises the Committee.

Composition and Meetings

The MERC, whose membership remained unchanged except for the addition of Massy Larizadeh, consists solely of the independent non-executive Directors and myself as Chairman. The Committee met three times during the year. The MERC is required to meet at least once annually, and its quorum is two members.

Attendance at these meetings was as follows:

	Scheduled MERC Meetings	
Member	**Number of meetings entitled to attend**	**Number attended**
William Eason (Chairman)	3	3
Kevin McGrath	3	3
Daniel Taylor	3	3
Frances Daley	3	3
Massy Larizadeh*	–	–

**Appointed on 1 June 2022*

Activities During the Year

The Board keeps the ongoing performance of each of the Asset and Investment Manager under continual review and, through the MERC, conducts an annual appraisal of the performance of each of the Managers, along with the performance of key third-party service providers.

On a regular basis, the Board reviews the acquisition and disposal decisions made by the Asset Manager. To ensure open and regular communication between the Managers and the Board, representatives of both Managers have been appointed to the Board and attend all Board meetings. The Asset Manager provides regular updates to the Board on the Company's assets and the property market generally. The Investment Manager provides regular updates to the Board on the Company's financial performance. The Board keeps the performance of both Managers under continual review.

The MERC considered the ongoing appointment of the Company's third-party service providers for the year ended 31 December 2022 and was satisfied with the effectiveness of the performance of these providers and that the Company was benefiting from added value in respect of the services it procures from these third parties. It recommended to the Board that all third-party service providers be retained.

In addition, the Investment Manager undertakes continual review of the competitiveness of the fees of the Company's service providers and advises the MERC as appropriate.

The MERC also considered the remuneration of the independent non-executive Directors, details of which can be found in the Remuneration Report on pages 115 and 116. No individual was involved in discussions about his/her own remuneration.

Directors' Interests

The Company's Articles of Incorporation do not require a Director to own Shares in the Company. The interests of the Directors and any connected persons in the Ordinary Shares of the Company as at 31 December 2022 and the date of this report can be found on page 90.

Remuneration Advisers

The Company has not sought the advice or service by any outside persons or consultants in respect of the consideration of Directors' remuneration.

Committee Effectiveness

During the year, the Board carried out an internally facilitated evaluation of its performance and that of its Committees. This evaluation confirmed that the MERC continued to operate at a high standard.

William Eason

Chairman

Management Engagement and Remuneration Committee

27 March 2023

DIRECTORS' REMUNERATION REPORT

As Chairman of the MERC and on behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022.

William Eason
Chairman of the Management Engagement and Remuneration Committee

Statement from the Chairman

This report has been prepared in accordance with the relevant requirements of the Listing Rules. The MERC comprises only the non-executive Directors of the Company.

As at 31 December 2022 and the date of this report, the Board consists entirely of non-executive Directors and the Company has no employees. The MERC reviews Directors' fees on an annual basis. During the year under review, the MERC reviewed the level of Directors' remuneration, having regard to the level of activity of the Company, its financial results, market rates generally and the time commitment and responsibilities required of each Director. As a result of this review, the MERC decided to not make any changes to the Directors' remuneration.

Each Director abstained from voting on their own individual remuneration. The annual fees for the Directors were last increased on 1 April 2022 and remain within the approved maximum aggregate set out in the Company's Articles of Incorporation of £400,000 per annum. The MERC ensured that the level of remuneration remained aligned to the performance of the Company and will take into consideration the views of Shareholders on Directors' remuneration.

The MERC has not been provided with any advice or services by any person or organisation in respect of its consideration of the Directors' remuneration.

The MERC met three times during the year.

Directors' Remuneration

The level of remuneration has been set to reflect the experience and expertise of the Board as a whole, determined with reference to comparable organisations and appointments. The Directors shall be entitled to receive fees for their services, such sums not to exceed in aggregate £400,000 in any financial year (or such sum as the Company in a general meeting shall from time to time determine) as determined within the limits stated in the Company's articles of incorporation. The fee for any new Director appointed will be determined on the same basis.

Mr Eason receives no additional remuneration for his role as chairman of the MERC and Nomination Committee or as Senior Independent Non-Executive Director. Ms Daley receives additional remuneration for her role as chairman of the Audit Committee to reflect the more onerous role.

Mr Inglis has waived his right to receive remuneration from the Company due to his position as chief executive officer of the Asset Manager. Mr Bee has waived his right to receive remuneration from the Company due to his position as chief legal counsel of the Investment Manager.

The Directors may be paid all reasonable travel, hotel and other out-of-pocket expenses properly incurred by them in attending Board or committee meetings or general meetings, and all reasonable expenses properly incurred by them seeking independent professional advice on any matter that concerns them in the furtherance of their duties as a Director.

At the 2022 AGM, the Board proposed an Ordinary Resolution to increase the cap on the aggregate amount of fees that can be paid to Directors from £300,000 per annum to £400,000 per annum which was passed by shareholders. The increase provides the Board with the flexibility to make further appointments to the Board as the Company continues to grow and to ensure that Directors fees are sufficient to ensure that candidates of a high calibre are recruited to the Board. Ms Larizadeh was appointed to the Board on 1 June 2022 and is a member of the MERC.

Additional Remuneration

There are no performance conditions attaching to the remuneration of the Directors as the Board does not believe that this is appropriate for non-executive Directors. The Directors are not eligible for bonuses and do not receive pension benefits, long-term incentive schemes or Share options or any other non-statutory benefits or incentives. Directors' & Officers' Liability Insurance is maintained and paid for by the Company on behalf of the Directors. No Director is entitled to any other monetary payment or any assets of the Company. The same principles will apply to any new appointments.

Payment for Loss of Office and Payments to Past Directors

Compensation will not be made upon early termination of appointment. No payment has been made to any former Director for loss of office and there were no payments for past Directors in the year ended 31 December 2022 (2021: none).

Remuneration Consultants

The Group did not engage the services of an external remuneration consultant during the period under review.

Total Director Remuneration (audited)

The remuneration paid to the Directors as fees for their services during the year is set out in the table below:

Director	Fees paid to 31 December 2022	Fees paid to 31 December 2021
Kevin McGrath	**£76,125**	£73,500
William Eason	**£54,375**	£52,500
Daniel Taylor	**£54,375**	£52,500
Frances Daley	**£56,250**	£52,500
Massy Larizadeh*	**£32,083**	–
Stephen Inglis	**–**	–
Tim Bee	**–**	–
Aggregate:	**£273,208**	**£231,000**

During 2022, the remuneration of the Directors increased by 5%, effective 1 April 2022.

None of the Directors has a service contract, but letters of appointment setting out the terms of their appointment are in place. Directors are not entitled to any compensation for loss of office. Copies of the letters of appointment are available for inspection at the Company's registered office address and will be made available for up to 15 minutes prior to the start of the AGM.

No additional remuneration was paid to the Directors during the year. No Director claimed any expenses during the year

**Appointed on 1 June 2022.*

The basic fee payable to Directors in respect of the year ended 31 December 2022 and the expected fees payable in respect of the year ending 31 December 2023 are set out in the table below:

	Expected annual fees for the year to 31 December 2023	Annual fees for the year to 31 December 2022
Chairman	**£77,000**	£76,125
Non-executive Director	**£55,000**	£54,375
Chairman of the Audit Committee	**£57,500**	£56,250
Total remuneration paid to Directors	**£299,500**	£273,208

Directors' Shareholdings

Neither the Company's articles of incorporation nor the Directors' letters of appointment require a Director to own Shares in the Company. Any shares held by the Directors and their connected persons have been bought on the open market. Details of the Directors' interests in Shares are provided on page 90.

Shareholder Engagement

The Company is committed to ongoing Shareholder dialogue and any views expressed by Shareholders on the fees being paid to Directors would be taken into consideration by the MERC in the annual review of Directors' fees.

By order of the Board

William Eason

Chairman of the Management Engagement and Remuneration Committee

27 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REGIONAL REIT LIMITED

Opinion

We have audited the financial statements of Regional REIT Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- are in accordance with UK-adopted International Accounting Standards; and
- comply with the requirements of The Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach	
Key audit matters	**Group** • Valuation of Investment Property
Materiality	**Group** • Overall materiality: £9,890,000 (2021: £10,600,000) • Performance materiality: £7,420,000 (2021: £7,990,000)
Scope	Our audit procedures covered 79% of revenue, 97% of total assets and 97% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investment Properties	
Key audit matter description	This is detailed in the Audit Committee report on page 109; the significant accounting judgements and estimates on page 131; note 4.4 of the significant accounting policies to the financial statements on page 133; note 14 of the notes to the financial statements on pages 142 to 144. The Group owns or controls through a portfolio of Special Purpose Vehicles (SPV's) a portfolio of investment properties which include industrial, office and retail properties. The total value of the portfolio at 31 December 2022 was £789.5 million (2021: £906.1 million). These properties are diversified across the UK with a wide geographical spread. The Directors' assessment of the value of the investment properties at the year-end date is considered a key audit matter due to the magnitude of the total amount, the potential impact of the movement in value on the reported results, and the subjectivity and complexity of the valuation process. The valuation is carried out by external valuers, Cushman & Wakefield, in line with the methodology set out in note 3.1.1.
How the matter was addressed in the audit	We audited the independent valuations of investment properties to evaluate whether they had been prepared on a consistent basis for all properties and in accordance with RICS standards and are considered to be appropriate and correctly recorded in the consolidated financial statements in line with financial reporting framework. We assessed the external valuers' qualifications and expertise and considered their terms of engagement, we also considered their objectivity and any other existing relationships with the group and concluded that there was no evidence that the valuers' objectivity had been compromised. We specifically enquired of any challenge that had been made on their valuation report from parties related to the Group. We engaged a property valuation specialist, as our auditor's expert, and based on our initial discussions we identified 50 properties for detailed testing, where the current year valuation movement fell outside their current market expectations, or where the property was either individually material or had produced a yield out with expectations from our overall review of the portfolio. We discussed and challenged the valuation of 32 of these properties with the valuer directly. The valuer demonstrated a detailed knowledge of each property, the geographical location, the tenant status and the overall asset desirability. We corroborated the additional information provided to support these movements. In addition, our auditor's expert carried out a review of the valuations for the remaining 18 properties. Our expert considered the specific inputs to these valuations and also considered the comparable transaction evidence that was used by management's expert in preparing their valuation. We tested the inputs used by the valuer and ensured these reflected the correct inputs for a sample of properties.
Key observations	We concluded that the fair values of the investment properties being adopted by the group were appropriate.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

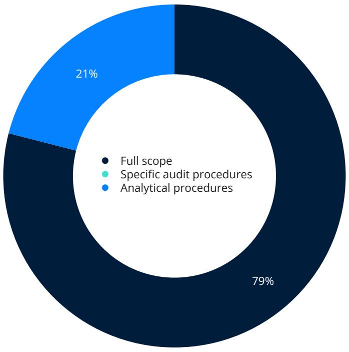
	Group
Overall materiality	£9.890,000 (2021: £10,600,000)
Basis for determining overall materiality	1.1% (2021: 1.0%) of Total Assets
Rationale for benchmark applied	Total assets was used as a benchmark as it was assessed that the shareholders will be primarily interested in the growth in the value of property, represented by the property valuation.
Performance materiality	£7,420,000 (2021: £8,010,000)
Basis for determining performance materiality	75% of overall materiality
Materiality levels for those classes of transactions where materiality levels are lower than overall materiality	The statement of comprehensive income was tested to the lower Performance Materiality figure of £2,040,000 (2021: £1,800,000) to ensure adequate coverage of these values. This has been calculated as 4.0% (2021: 4.0%) of Operating profit before gains and losses on property assets and other investments.
Reporting of misstatements to the Audit Committee	Misstatements in excess of £494,000 (2021: £534,000) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REGIONAL REIT LIMITED CONTINUED

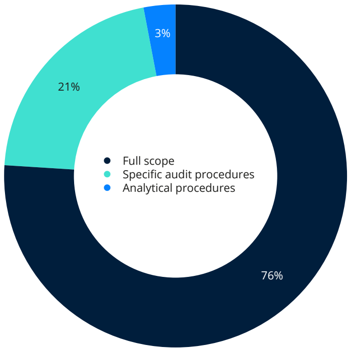
An overview of the scope of our audit

The group consists of 65 components, located in the following countries; Guernsey; Jersey; and the United Kingdom. The coverage achieved by our audit procedures was:

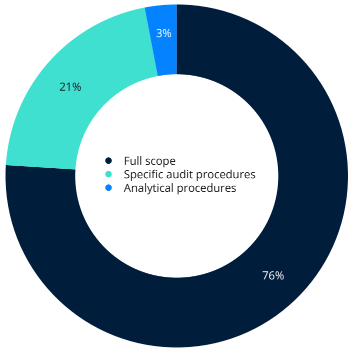
Revenue



Total assets



Profit before tax



Full scope audits were performed for 8 components, specific audit procedures for 21 components and analytical procedures at group level for the remaining 36 components.

The specific audit procedures for 18 components included the review of the investment properties held by those components and the change in fair value of investment properties. The specific audit procedures for 2 components included procedures on cash and cash equivalents, and additionally on interest payable for 1 of these. The specific audit procedures for the final component included procedures on the derivative financial instrument and net movement in fair value of derivative financial instruments.

All audit work on the components was performed by RSM UK Audit LLP with no work performed by other component auditors.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- checking the integrity and accuracy of the cashflow forecasts and covenant calculations prepared by management;
- challenging management on the reasonableness of the assumptions made in the forecasts particularly in respect of; the non-payment of rent by tenants; the drawdown of funds from existing bank facilities; the headroom in banking covenants; and the ability to make dividend payments;
- assessing the reasonableness of assumptions and explanations provided by management to supporting information, where available;
- stress-testing management's cashflow forecasts to assess the impact of assumptions worse than those included in management's model; and
- auditing the accuracy of disclosures made in the financial statements in respect of going concern.

We have no key observations to make.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entity's reporting on how they have applied the AIC Code of Corporate Governance, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the AIC Code of Corporate Governance specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 60;
- Directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why this period is appropriate set out on page 60;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 60;
- Directors' statement on fair, balanced and understandable set out on page 96;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 106;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 106; and,
- The section describing the work of the audit committee set out on pages 107 to 110.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 95, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework, that the group operates in and how the group is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud, having obtained an understanding of the effectiveness of the control environment.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REGIONAL REIT LIMITED CONTINUED

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
IFRS; **The Companies (Guernsey) Law 2008;** **AIC Code of Corporate Governance; and** **Listing and Transparency Rules**	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklist to identify areas of non-compliance.
Tax compliance; and UK REIT regulations	Inspection of advice received from external tax advisors; Input from an internal auditor's expert was obtained regarding compliance with the UK REIT regulations.
Land and Building Regulations	Inspection of technical due diligence report and legal due diligence report.
Environmental Policies and Regulations	Inspection of environmental due diligence report.
Health and Safety Regulations	Inspection of health and safety risk report.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the Group audit engagement team and component auditors:
Management override of internal controls	Testing the appropriateness of journal entries and other adjustments using a data analytics tool to select a risk based sample; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
Revenue recognition	Performing substantive analytical review to test the rental income that is recognised and assessing whether this is recognised in accordance with the latest signed tenancy agreements; Testing a sample of tenancies to rental agreement; and Testing the accuracy of disclosures made in the financial statements in respect of revenue.
Investment properties	See the key audit matters section of this report for work performed on this area.

A further description of our responsibilities for the audit of the financial statements is included in appendix 1 of this auditor's report. This description, which is located at page 122 forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the audit committee on 06 November 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods.

The period of total uninterrupted consecutive appointments is eight years, covering the years ending 31 December 2015 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and we remain independent of the group in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

ALAN AITCHISON

For and on behalf of RSM UK AUDIT LLP, Auditor

Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow G2 6HG

27 March 2023

APPENDIX 1: AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard as applied to public interest entities, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are required to include in the auditor's report an explanation of how we evaluated management's assessment of the group's ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

The notes on pages 129 to 162 are an integral part of these consolidated financial statements.

Total comprehensive income arises from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Assets			
Non-current assets			
Investment properties	14	**789,480**	906,149
Right of use assets	25	**11,126**	16,482
Non-current receivables on tenant loan	16	**578**	819
Derivative financial instruments	24	**24,449**	1,706
		825,633	925,156
Current assets			
Trade and other receivables	17	**30,274**	29,404
Cash and cash equivalents	18	**50,148**	56,128
		80,422	85,532
Total assets		**906,055**	1,010,688
Liabilities			
Current liabilities			
Trade and other payables	19	**(39,231)**	(40,966)
Deferred income	20	**(16,661)**	(16,751)
Deferred tax liabilities	21	**(699)**	(705)
		(56,591)	(58,422)
Non-current liabilities			
Bank and loan borrowings	22	**(385,265)**	(383,474)
Retail eligible bonds	23	**(49,752)**	(49,596)
Lease liabilities	25	**(11,505)**	(16,795)
		(446,522)	(449,865)
Total liabilities		**(503,113)**	(508,287)
Net assets		**402,942**	502,401
Equity			
Stated capital	26	**513,762**	513,762
(Accumulated losses)		**(110,820)**	(11,361)
Total equity attributable to owners of the parent company		**402,942**	502,401
Net asset value per Share – basic and diluted	27	**78.1p**	97.4p

The notes on pages 129 to 162 are an integral part of these consolidated financial statements.

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

Kevin McGrath
Chairman
27 March 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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

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	26	83,051	–	83,051
Share issue costs	26	(108)	–	(108)
Dividends paid	13	–	(29,881)	(29,881)
Balance at 31 December 2021		513,762	(11,361)	502,401

The notes on pages 129 to 162 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flows from operating activities		
(Loss)/profit for the year before taxation	**(65,169)**	28,772
Change in fair value of investment properties	**113,233**	8,296
Change in fair value of financial derivative instruments	**(22,743)**	(6,045)
Loss/(gain) on disposal of investment properties	**8,636**	(679)
Gain on disposal of right of use assets	**(76)**	(167)
Change in fair value of right of use assets	**185**	206
Finance income	**(126)**	(14)
Finance expense	**17,285**	14,872
(Increase)/decrease in trade and other receivables	**(619)**	4,398
(Decrease)/increase in trade and other payables	**(2,060)**	5,089
(Decrease)/increase in deferred income	**(90)**	2,167
Cash generated from operations	**48,456**	56,895
Interest paid	**(15,198)**	(13,053)
Taxation received	**–**	–
Net cash flow generated from operating activities	**33,258**	43,842
Investing activities		
Purchase of investment properties	**(89,287)**	(175,196)
Sale of investment properties	**84,087**	76,940
Interest received	**116**	15
Net cash flow used in investing activities	**(5,084)**	(98,241)
Financing activities		
Share issue costs	**–**	(108)
Dividends paid	**(33,971)**	(27,813)
Bank borrowings advanced	**14,322**	77,305
Bank borrowings repaid	**(13,467)**	(3,539)
Bank borrowing costs paid	**(485)**	(2,051)
Lease repayments	**(553)**	(640)
Net cash flow (used in)/generated from financing activities	**(34,154)**	43,154
Net decrease in cash and cash equivalents	**(5,980)**	(11,245)
Cash and cash equivalents at the start of the year	**56,128**	67,373
Cash and cash equivalents at the end of the year	**50,148**	56,128

The notes on pages 129 to 162 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Corporate information

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

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

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

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

The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 9 to 84.

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

2. Basis of preparation

The Group's consolidated financial statements have been prepared on a going concern basis in accordance with the Disclosure Guidance and Transparency Rules of the FCA, the requirements of The Companies (Guernsey) Law 2008 and with UK-adopted International Accounting Standards.

The Group's 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.

2.1. Functional and presentation currency

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

2.2. Going concern

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

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

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

2.3. Business combinations

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

Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

2.4. New standards, amendments and interpretations

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

Amendments to IFRS 3 'Business Combinations' (effective for periods beginning on or after 1 January 2022) – gives clarification on the recognition of contingent liabilities at acquisition and clarifies that contingent assets should not be recognised at the acquisition date. The amendments do not have a significant impact on the preparation of these financial statements.

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

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

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

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

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

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

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

The amendments also clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period and not expectations of or actual events after the reporting date. The amendments also give clarification to the definition of settlement of a liability. These amendments are not expected to have a significant impact on the preparation of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

3. Significant accounting judgements, estimates and assumptions

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

3.1. Critical accounting estimates and assumptions

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

3.1.1. Valuation of investment property

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

The value of the properties has been assessed in accordance with the relevant parts of the current RICS Red Book. In particular, we have assessed the fair value as referred to in VPS4 item 7 of the RICS Red Book. Under these provisions, the term "Fair Value" means the definition adopted by the International Accounting Standards Board ("IASB") in IFRS 13, namely "The price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in note 14.

3.1.2. Fair valuation of interest rate derivatives

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

3.1.3. Leases – the Group as lessee

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

3.1.4. Dilapidation income

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

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

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

3.2.1. Operating lease contracts – the Group as lessor

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

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

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

3.2.3. Acquisitions of subsidiary companies

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

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

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

3.2.4. Recognition of income

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

4. Summary of significant accounting policies

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

4.1. Basis of consolidation

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

4.2. Subsidiaries

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

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

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

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

4.2.1. Disposal of subsidiaries

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

4.3. Segmental information

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

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

4.4. Investment property

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

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

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

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

4.5. Derivative financial instruments

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole.

4.6. Financial assets

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

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

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

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

4.7. Trade and other receivables

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

4.8. Cash and cash equivalents

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

4.9. Trade and other payables

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

4.10. Bank and other borrowings

All bank and other borrowings (comprising bank loans and retail eligible bonds) are initially recognised at cost net of attributable transaction costs. Any attributable transaction costs relating to the issue of the bank borrowings are amortised through the Group's Statement of Comprehensive Income over the life of the debt instrument on a straight-line basis. After initial recognition, all bank and other borrowings are measured at amortised cost, using the effective interest method.

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

4.11. Dividends payable to Shareholders

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

4.12. Rental and property income

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

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

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

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

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

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

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

4.13. Property costs

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

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

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

4.14. Interest income

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

4.15. Dividend income

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

4.16. Finance costs

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

4.17. Taxation

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

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

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

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

4.18. Deferred tax

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

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

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

The current rate of UK Corporation Tax is 19%.

4.19. Stated capital

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

4.20. Share-based payments

The Group has entered into performance fee arrangements with the Asset Manager and Investment Manager which depend on the growth in the net asset value of the Group exceeding a hurdle rate of return over a performance period. The fee will be partly settled in cash and partly in equity and the equity portion is therefore a Share-based payment arrangement. The fair value of the obligation is measured at each reporting period, and the cost recognised as an expense. The part of the obligation to be settled in Shares is credited to equity reserves. If circumstances change and the fee is no longer settled by the issue of Shares, then the amounts previously credited to equity reserves are reversed. In the year ending 31 December 2022 no cash or equity rewards have been made.

4.21. Leased assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

5. Rental and property income

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

6. Property costs

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

7. Administrative and other expenses

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

Services provided by the Company's Auditor and its associates

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

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

8. Directors' remuneration

Key management comprises the Directors of the Company. A summary of the Directors' emoluments is set out in the Directors' Remuneration Report on page 116.

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

9. Finance income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

10. Finance expense

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest payable on bank borrowings	**12,940**	10,795
Amortisation of loan arrangement fees	**1,421**	1,067
Bond interest	**2,250**	2,250
Bond issue costs amortised	**156**	155
Bond expenses	**8**	8
Lease interest	**510**	597
Total	**17,285**	14,872

11. Taxation

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

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

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

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

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

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

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

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

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

12. Earnings per Share

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

13. Dividends

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

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

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

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

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

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

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

14. Investment properties

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

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

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

Group Movement in investment properties for the year ended 31 December 2022	**Freehold Property £'000**	**Long Leasehold Property £'000**	**Total £'000**
Valuation at 1 January 2022	**751,440**	**154,709**	**906,149**
Property additions – acquisitions	**70,322**	**8,948**	**79,270**
Property additions – subsequent expenditure	**5,994**	**4,023**	**10,017**
Property disposals	**(80,436)**	**(3,651)**	**(84,087)**
Loss on disposal of investment properties	**(8,032)**	**(604)**	**(8,636)**
Change in fair value during the year	**(95,658)**	**(17,575)**	**(113,233)**
Valuation at 31 December 2022	**643,630**	**145,850**	**789,480**

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

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

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

The hierarchy levels are defined in note 29.

It has been determined that the entire investment properties portfolio should be classified under the level 3 category. The table below shows the movement in the year on the level 3 category:

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

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

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

Techniques used for valuing investment properties

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

Valuation technique: market comparable method

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

Observable input: market rental

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

Observable input: rental growth

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

Observable input: net initial yield

The initial net income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase range: 0.00% – 22.58% (2021: 0.00% – 60.37%).

There were no significant inter–relationships between unobservable inputs that materially affect fair value.

Unobservable inputs:

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

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

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

The impact of changes to the significant unobservable inputs:

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

15. Investment in subsidiaries

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

	Country of incorporation	Ownership %
Tay Properties Ltd	Jersey	100%
TCP Arbos Ltd	Jersey	100%
TCP Channel Ltd	Jersey	100%
Tosca Chandlers Ford Ltd	Jersey	100%
Tosca Glasgow II Ltd	United Kingdom	100%
Tosca Midlands Ltd	Jersey	100%
Tosca North West Ltd	Jersey	100%
Tosca Scotland Ltd	Jersey	100%
Tosca Swansea Ltd	Jersey	100%
Tosca UK CP II Ltd	Jersey	100%
Tosca UK CP Ltd	Jersey	100%
Toscafund Bennett House Ltd	Jersey	100%
Toscafund Bishopgate Street Ltd	Jersey	100%
Toscafund Blythswood Ltd	Jersey	100%
Toscafund Brand Street Ltd	Jersey	100%
Toscafund Chancellor Court Ltd	Jersey	100%
Toscafund Crompton Way Ltd	Jersey	100%
Toscafund Glasgow Ltd	Jersey	100%
Toscafund Harvest Ltd	Jersey	100%
Toscafund Milburn House Ltd	Jersey	100%
Toscafund Minton Place Ltd	Jersey	100%
Toscafund Newstead Court Ltd	Jersey	100%
Toscafund Portland Street Ltd	Jersey	100%
Toscafund St Georges House Ltd	Jersey	100%
Toscafund St James Court Ltd	Jersey	100%
Toscafund Strathclyde BP Ltd	Jersey	100%
Toscafund Wallington Ltd	Jersey	100%
Toscafund Westminster House Ltd	Jersey	100%
Toscafund Sheldon Court Ltd	Jersey	100%

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

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

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

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

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

List of subsidiaries that are controlled by the Group:	Country of incorporation	Ownership %
Castlestream Ltd (in liquidation)	United Kingdom	100%
Caststop Ltd (in liquidation)	United Kingdom	100%
Credential (Baillieston) Ltd (in liquidation)	United Kingdom	100%
Credential (Greenock) Ltd (in liquidation)	United Kingdom	100%
Credential (Wardpark North) Ltd	United Kingdom	100%
Credential Estates Ltd	United Kingdom	100%
Old Rutherglen Road Ltd (in liquidation)	United Kingdom	100%
Rocket Unit Trust	Jersey	100%
Squeeze Newco 2 Ltd	United Kingdom	100%
The Legal Services Centre Ltd (in liquidation)	United Kingdom	100%
View Castle Ltd	United Kingdom	100%
View Castle (Milton Keynes) Ltd	United Kingdom	100%
View Castle (Properties) Ltd	United Kingdom	100%

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

Business Combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

16. Non-current receivables on tenant loans

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

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

17. Trade and other receivables

	31 December 2022 £'000	31 December 2021 £'000
Gross amount receivable from tenants	**10,092**	10,835
Less provision for impairment	**(902)**	(1,615)
Net amount receivable from tenants	**9,190**	9,220
Current receivables – tenant loans (note 16)	**192**	192
Income tax	**52**	52
Other receivables	**955**	736
Prepayments	**19,885**	19,204
	30,274	29,404

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

The aged analysis of trade receivables was as follows:

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

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

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

Provision for impairment of trade receivables movement as follows:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

18. Cash and cash equivalents

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

Restricted cash balances of the Group comprise:

- £8,886,000 (2021: £4,149,000) of funds held in blocked bank accounts which are controlled by the Group's lenders and are released to free cash once certain loan conditions are met. The restricted funds arose on net proceeds from investment property disposals and were released after the year end.
- £3,493,000 (2021: £2,060,000) of funds which represent tenants' rental deposits.

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

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

19. Trade and other payables

	31 December 2022 £'000	31 December 2021 £'000
Withholding tax due on dividends paid	**929**	861
Dividends announced but not paid	**8,509**	8,252
Trade payables	**3,455**	3,559
Other payables	**14,703**	13,245
Value added tax	**1,562**	1,714
Accruals	**10,073**	13,335
At end of year	**39,231**	40,966

Other payables principally include rent deposits held and service charge costs.

The Directors consider the fair value of trade and other payables to equal their carrying amounts.

20. Deferred income

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

21. Deferred tax liabilities

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

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

22. Bank and loan borrowings

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

The table below lists the Group's borrowings.

Lender	Original facility £'000	Outstanding debt* £'000	Maturity date	Gross loan to value**	Annual interest rate	Amortisation
Royal Bank of Scotland, Bank of Scotland and Barclays	**128,000**	**125,676**	Aug–26	50.8%	2.40% over 3 months £ SONIA	Mandatory prepayment
Scottish Widows Ltd & Aviva Investors Real Estate Finance	**165,000**	**165,000**	Dec–27	52.0%	3.28% Fixed	None
Scottish Widows Ltd	**36,000**	**36,000**	Dec–28	42.2%	3.37% Fixed	None
Santander UK	**65,870**	**64,116**	Jun–29	44.9%	2.20% over 3 months £ SONIA	Mandatory prepayment
Total bank borrowings	**394,870**	**390,792**				
Retail eligible bond	**50,000**	**50,000**	Aug–24	NA	4.50% Fixed	None
Total	**444,870**	**440,792**				

SONIA = Sterling Over Night Indexed Average
* Before unamortised debt issue costs
** Based upon Cushman & Wakefield property valuations

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

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

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

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

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

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

23. Retail Eligible Bonds

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

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

24. Derivative financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

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**	**125,676**	Aug–26	2.40% over 3 months £ SONIA	73,000 55,000	0.97% 0.97%
Scottish Widows Ltd. & Aviva Investors Real Estate Finance	**165,000**	**165,000**	Dec–27	3.28% Fixed	n/a	n/a
Scottish Widows Ltd	**36,000**	**36,000**	Dec–28	3.37% Fixed	n/a	n/a
Santander UK	**65,870**	**64,116**	Jun–29	2.20% over 3 months £ SONIA	49,403 16,468	1.39% 1.39%
Total	**394,870**	**390,792**				

SONIA = Sterling Over Night Indexed Average

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

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

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

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

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

Table may not sum due to rounding

The Group has not adopted hedge accounting in either year.

25. Leases

Right of use asset	31 December 2022 £'000	31 December 2021 £'000
At start of year	**16,482**	16,156
Right of use asset acquired	**–**	6,438
Derecognition of right of use asset	**(5,171)**	(5,906)
Fair value movement	**(185)**	(206)
At end of year	**11,126**	16,482

Lease liability	31 December 2022 £'000	31 December 2021 £'000
At start of year	**16,795**	**16,473**
Finance lease liability acquired	**–**	**6,438**
Derecognition of finance lease liability	**(5,247)**	**(6,073)**
Lease payments	**(553)**	**(640)**
Interest charges	**510**	**597**
At end of year	**11,505**	**16,795**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

26. Stated capital

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

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

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

27. Net asset value per Share (NAV)

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

In October 2019, EPRA issued new best practice recommendations that replaced EPRA net asset value (NAV) with three new measures of net asset value. Further detail of the EPRA performance measures can be found on pages 165 to 168.

Net asset values have been calculated as follows:

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

28. Notes to the Statement of Cash Flows

28.1. Non–Cash Transactions

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

29. Financial risk management

29.1. Financial instruments

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

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

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

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

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

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

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

Fair value hierarchy

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

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

The different levels are defined as follows.

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

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

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

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

There have been no transfers between levels during the year.

29.2. Risk management

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

29.3. Market risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

29.4. Credit risk

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

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

29.5. Credit risk related to trade receivables

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

29.6. Credit risk related to financial instruments and cash deposits

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

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

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

29.7. Liquidity risk

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

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

Group at 31 December 2022	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	After 5 years £'000	Total £'000
Trade and other payables	**(36,741)**	**–**	**–**	**–**	**(36,741)**
Bank borrowings	**(16,300)**	**(16,300)**	**(330,923)**	**(106,105)**	**(469,628)**
Interest rate derivatives	**3,158**	**3,158**	**6,448**	**1,333**	**14,097**
Retail eligible bonds	**(2,250)**	**(52,250)**	**–**	**–**	**(54,500)**
Lease liability	**(435)**	**(435)**	**(1,305)**	**(29,109)**	**(31,284)**
	(52,568)	**(65,827)**	**(325,780)**	**(133,881)**	**(578,056)**

Group at 31 December 2021	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	After 5 years £'000	Total £'000
Trade and other payables	(38,391)	–	–	–	(38,391)
Bank borrowings	(11,333)	(11,333)	(160,167)	(274,447)	(457,280)
Interest rate derivatives	(1,076)	(1,076)	(3,010)	(1,048)	(6,210)
Retail eligible bonds	(2,250)	(2,250)	(52,250)	–	(56,750)
Lease liability	(648)	(648)	(1,943)	(47,668)	(50,907)
	(53,698)	(15,307)	(217,370)	(323,163)	(609,538)

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

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

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

30. Capital management

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

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

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

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

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

31. Operating leases

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 CONTINUED

32. Segmental information

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

33. Transactions with related parties

Transactions with the Directors

Directors' remuneration is disclosed within the Remuneration Report on page 116 and note 8 to the financial statements. Directors' beneficial interests in the Ordinary Shares of the Company are disclosed within the Directors' Report.

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

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

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

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

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

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

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

	31 December 2022 £'000	31 December 2021 £'000
Total fees outstanding	**1,642**	1,350

* Including irrecoverable VAT charged where appropriate.

Transactions with the Investment Manager, Toscafund Asset Management LLP

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

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

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

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Investment management fees charged	**2,687**	2,326
Total	**2,687**	2,326

	31 December 2022 £'000	31 December 2021 £'000
Total fees outstanding	**524**	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 NTV per Ordinary Share and the total dividends per Ordinary Share declared in the financial year. A performance fee is only payable in respect of a performance period where the EPRA NTV per Ordinary Share exceeds the high–water mark which is equal to the greater of the highest year–end EPRA NTV Ordinary Share in any previous performance period. The performance fee was calculated initially on 31 December 2018 and is assessed annually thereafter.

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

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

34. Subsequent Events

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

ADDITIONAL INFORMATION

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	Year ended 31 December 2022	Year ended 31 December 2021
EPRA EARNINGS	Earnings from operational activities.	EPRA Earnings	**£34,066,000**	£30,383,000
		EPRA Earnings per Share (basic and diluted	**6.6p**	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	**£379,192,000**	£501,400,000
		EPRA Net Reinstatement Value per Share (diluted)	**73.5p**	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	**£379,192,000**	£501,400,000
		EPRA Net Tangible Assets per Share (diluted)	**73.5p**	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	**£422,226,000**	£497,312,000
		EPRA Net Disposal Value per Share (diluted)	**81.9p**	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	**6.4%**	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	**7.2%**	6.2%
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacancy space divided by ERV of the whole portfolio.	EPRA Vacancy Rate	**16.6%**	18.2%
EPRA Costs Ratio	Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	EPRA Costs Ratio	**32.8%**	31.2%
		EPRA Costs Ratio (excluding direct vacancy costs)	**16.2%**	16.8%
EPRA LTV	Debt divided by the market value of property	EPRA LTV	**52.8%**	45.6%

EPRA BPR Awards

2022

The Company was pleased to be recognised by EPRA for a fifth consecutive year and be granted an EPRA BPR Gold Award in respect of the Company's compliance with EPRA's Best Practices Recommendations for financial reporting of listed property companies.

NOTES TO THE CALCULATION OF EPRA PERFORMANCE MEASURES

1. EPRA earnings

For calculations, please refer to note 12 to the financial statements.

2. EPRA Net Reinstatement Value

	31 December 2022	31 December 2021
NAV per the financial statements	**402,942**	502,401
Fair value of derivative financial instruments	**(24,449)**	(1,706)
Deferred tax liability	**699**	705
EPRA Net Reinstatement Value	**379,192**	501,400
Dilutive number of Shares	**515,736,583**	515,736,583
EPRA Net Reinstatement Value per Share	**73.5p**	97.2p

3. EPRA Net Tangible Assets

	31 December 2022	31 December 2021
NAV per the financial statements	**402,942**	**502,401**
Fair value of derivative financial instruments	**(24,449)**	**(1,706)**
Deferred tax liability	**699**	**705**
EPRA Net Tangible Assets	**379,192**	**501,400**
Dilutive number of Shares	**515,736,583**	**515,736,583**
EPRA Net Tangible Assets per Share	**73.5p**	**97.2p**

NOTES TO THE CALCULATION OF EPRA PERFORMANCE MEASURES CONTINUED

4. EPRA Net Disposal Value

	31 December 2022	31 December 2021
NAV per the financial statements	**402,942**	502,401
Adjustment for the fair value of bank borrowings	**18,867**	(3,899)
Adjustment for the fair value of retail eligible bonds	**417**	(1,190)
EPRA Net Disposal Value	**422,226**	497,312
Dilutive number of Shares	**515,736,583**	515,736,583
EPRA Net Disposal Value per Share	**81.9p**	96.4p

5. EPRA Net Initial Yield

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

	31 December 2022	31 December 2021
Investment properties	**789,480**	906,149
Purchaser costs	**51,993**	59,973
	841,473	966,122
Annualised cash passing rental income	**63,687**	67,095
Property outgoings	**(9,705)**	(11,822)
Annualised net rents	**53,982**	55,273
Add notional rent expiration of rent-free periods or other lease incentives	**6,402**	4,961
Topped-up net annualised rent	**60,384**	60,234
EPRA NIY	**6.4%**	5.7%
EPRA topped up NIY	**7.2%**	6.2%

6. EPRA Vacancy Rate

	31 December 2022	31 December 2021
Estimated Market Rental Value (ERV) of vacant space	**14,579**	16,095
Estimated Market Rental Value (ERV) of whole portfolio	**87,652**	88,375
EPRA Vacancy Rate	**16.6%**	18.2%

7. EPRA Cost Ratios

	Year ended 31 December 2022	Year ended 31 December 2021
Property costs	**30,672**	24,075
Less recoverable service charge income and other similar costs	**(16,999)**	(14,145)
Add administrative and other expenses	**11,421**	10,583
EPRA costs (including direct vacancy costs)	**25,094**	20,513
Direct vacancy costs	**(12,712)**	(9,468)
EPRA costs (excluding direct vacancy costs)	**12,382**	11,045
Gross rental income	**93,318**	79,899
Less recoverable service charge income and other similar items	**(16,999)**	(14,145)
Gross rental income less ground rents	**76,319**	65,754
EPRA Cost Ratio (including direct vacancy costs)	**32.8%**	31.2%
EPRA Cost Ratio (excluding direct vacancy costs)	**16.2%**	16.8%

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

8. EPRA LTV

	31 December 2022 £'000	31 December 2021 £'000
Borrowings from financial institutions	**390,792**	389,937
Bond loans	**50,000**	50,000
Net payables	**26,888**	29,589
Cash held by solicitors	**–**	(66)
Cash and cash equivalents	**(50,148)**	(56,128)
Net debt	**417,532**	413,332
Investment properties at fair value	**789,480**	906,149
Financial Assets - loans	**770**	1,011
Total property values	**790,250**	907,160
EPRA LTV	**52.8%**	45.6%

Calculation of net payables

Trade receivables – current	**30,274**	29,404
Less cash held by solicitors	**–**	(66)
Less tenant loans	**(192)**	(192)
Current liabilities	**(56,591)**	(58,422)
Right of use asset	**11,126**	16,482
Finance lease liabilities	**(11,505)**	(16,795)
Net payables	**(26,888)**	(29,589)

PROPERTY RELATED CAPITAL EXPENDITURE ANALYSIS

	31 December 2022	31 December 2021
Acquisitions	**79,270**	251,431
Development	**–**	–
Investment properties		
Incremental lettable space	**–**	–
No incremental lettable space	**10,017**	6,816
Tenant incentives	**–**	–
Other material non-allocated types of expenditure	**–**	–
Capitalised interest	**–**	–
Total capital expenditure	**89,287**	258,247
Conversion from accruals to cash basis	**–**	–
Total capital expenditure on cash basis	**89,287**	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

	31 December 2022 £'000	31 December 2021 £'000
Borrowings from financial institutions	**390,792**	389,937
Bond loans	**50,000**	50,000
Cash held by solicitors	**–**	(66)
Cash and cash equivalents	**(50,148)**	(56,128)
Net debt	**390,644**	383,743
Investment properties at fair value	**789,480**	906,149
EPRA LTV	**49.5%**	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.

Core Property – stable income properties with low risk.

Directors – the Directors of the Company whose names are set out on pages 87 and 88.

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 Guildlines.

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 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.

AIFMD DISCLOSURES

The Alternative Investment Fund Managers' Directive ("AIFMD") requires certain information to be made available to investors before they invest in Alternative Investment Funds and requires that material changes to this information be disclosed in the annual report of each AIF. Those disclosures that are required to be made pre-investment are included within the Initial Public Offering ("IPO") prospectus and subsequent equity capital raise prospectuses, which can be found on the Group's website at: www.regionalreit.com.

Management agreement

With effect from 6 November 2015, the Company appointed London & Scottish Investments Limited as Asset Manager. Following an internal restructure at London and Scottish Investments Limited, the Asset Manager agreement has been assigned to London and Scottish Property Investment Management Limited ("LSPIM"). Toscafund Asset Management LLP ("Toscafund" or the "AIFM") was appointed as the Investment Manager. LSPIM and Toscafund each receive half of an annual management fee and a performance fee may also be payable. For further information, please see page 83.

Toscafund was authorised as an Alternative Investment Fund Manager by the UK's Financial Conduct Authority on 21 July 2014. The AIFM has implemented a remuneration policy, which is effective as of 21 July 2014.

Continuing appointment of the AIFM

The Board continually reviews the performance of the AIFM. The Board, through its Management Engagement and Remuneration Committee, has considered the performance of the AIFM and the terms of its engagement. It is the opinion of the Board that the continuing appointment of the AIFM on the terms agreed is in the interests of Shareholders as a whole. The Board believe that by calculating the management fee on the basis of EPRA NTA, the interests of the AIFM are closely aligned with those of the Shareholders.

Principal risks and uncertainties

An explanation of the principal risks and how they are managed and the policy and practice with respect to financial instruments are contained in note 29 on pages 157 to 160.

Leverage

Leverage is defined in the AIFMD as any method by which the Group increases its exposure, whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means.

Leverage has been measured in terms of the Group's exposure and is expressed as a ratio of net asset value. The AIFMD requires this ratio to be calculated in accordance with both the Gross Method and the Commitment Method. Details of these methods of calculation can be found by referring to the AIFMD. In summary, these methods express leverage as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value. The principal difference between the two methods is that the Commitment Method enables derivative instruments to be netted off to reflect hedging arrangements and the exposure is effectively reduced, while the Gross Method aggregates the exposure.

The AIFMD introduced a requirement for the AIFM to set maximum levels of leverage for the Group. The Company's AIFM has set a maximum limit of 400 for both the Gross and Commitment Methods of calculating leverage.

At 31 December 2022, this gives the following figures:

Leverage Exposure	Gross Method	Commitment Method
Maximum	400	400
Actual	259	273

In accordance with the AIFMD, any changes to the maximum level of leverage set by the Group will be communicated via the Group's website to the Shareholders.

COMPANY INFORMATION

Directors

Kevin McGrath (Chairman and Independent Non-Executive Director)

William Eason (Senior Independent Non-Executive Director, Nomination Committee Chairman, Management Engagement and Remuneration Committee Chairman)

Daniel Taylor (Independent Non-Executive Director)

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

Massy Larizadeh (Independent Non-Executive Director)

Stephen Inglis (Non-Executive Director)

Tim Bee (Non-Executive Director)

Registered office

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

Company Secretary

Link Company Matters Limited
6th Floor
65 Gresham Street
London
EC2V 7NQ

Asset Manager

London & Scottish Property Investment Management Limited
300 Bath Street
Glasgow
G2 4JR

Investment Manager

Toscafund Asset Management LLP
5th Floor
15 Marylebone Road
London
NW1 55D

Financial Adviser and Joint Broker

Peel Hunt LLP
7th Floor
100 Liverpool Street
London
EC2M 2AT

Joint Broker

Panmure Gordon
40 Gracechurch Street
London
EC3V 0BT

Legal Adviser to the Company

Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Administrator

Jupiter Fund Services Limited
Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey
GY2 4LH

Sub-Administrator

Link Alternative Fund Administrators Limited
Broadwalk House
Southernhay West
Exeter
EX1 1TS

Independent Auditor

RSM UK Audit LLP
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Registrar

Link Market Services (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey
GY2 4LH

Depositary

Ocorian Depositary (UK) Limited
20 Fenchurch Street
London
EC3M 3BY

Public Relations

Buchanan Communications Limited
107 Cheapside
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 IN 2023

Q1 Trading Update	Annual General Meeting	Interim Results Announcement	Q3 Trading Update
24 MAY	25 MAY	12 SEPT	9 NOV

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: shareholderenquiries@linkgroup.co.uk.

DIVIDEND HISTORY

Year	Period	Announcement date	Ex-date	Record date	Payment date	PID	Non-PID	Total dividend Pence per share
2022	**Q4 2022**	**23/02/2023**	**02/03/2023**	**03/03/2023**	**06/04/2023**	**1.65**	**–**	**1.65**
	Q3 2022	**10/11/2022**	**17/11/2022**	**18/11/2022**	**12/01/2023**	**1.65**	**–**	**1.65**
	Q2 2022	**24/08/2022**	**01/09/2022**	**02/09/2022**	**14/10/2022**	**1.65**	**–**	**1.65**
	Q1 2022	**25/05/2022**	**01/06/2022**	**06/06/2022**	**15/07/2022**	**1.65**	**–**	**1.65**
						6.60	**–**	**6.60**
2021	Q4 2021	24/02/2022	03/03/2022	04/03/2022	08/04/2022	1.70	–	1.70
	Q3 2021	11/11/2021	18/11/2021	19/11/2021	12/01/2022	1.60	–	1.60
	Q2 2021	26/08/2021	09/09/2021	10/09/2021	15/10/2021	1.60	–	1.60
	Q1 2021	19/05/2021	27/05/2021	28/05/2021	16/07/2021	1.60	–	1.60
						6.50	–	6.50
2020	Q4 2020	25/02/2021	04/03/2021	05/03/2021	09/04/2021	1.50	–	1.50
	Q3 2020	12/11/2020	19/11/2020	20/11/2020	08/01/2021	1.50	–	1.50
	Q2 2020	26/08/2020	03/09/2020	04/09/2020	16/10/2020	1.50	–	1.50
	Q1 2020	21/05/2020	04/06/2020	05/06/2020	17/07/2020	1.90	–	1.90
						6.40	–	6.40
2019	Q4 2019	27/02/2020	05/03/2020	06/03/2020	09/04/2020	2.55	–	2.55
	Q3 2019	14/11/2019	21/11/2019	22/11/2019	19/12/2019	1.90	–	1.90
	Q2 2019	29/08/2019	05/09/2019	06/09/2019	15/10/2019	1.90	–	1.90
	Q1 2019	23/05/2019	06/06/2019	07/06/2019	12/07/2019	1.90	–	1.90
						8.25	–	8.25
2018	Q4 2018	21/02/2019	28/02/2019	01/03/2019	11/04/2019	2.50	–	2.50
	Q3 2018	15/11/2018	22/11/2018	23/11/2018	21/12/2018	1.85	–	1.85
	Q2 2018	31/08/2018	13/09/2018	14/09/2008	15/10/2018	1.85	–	1.85
	Q1 2018	17/05/2018	24/05/2018	25/05/2018	13/07/2018	1.85	–	1.85
						8.05	–	8.05
2017	Q4 2017	22/02/2018	01/03/2018	02/03/2018	12/04/2018	2.21	0.25	2.45
	Q3 2017	14/11/2017	23/11/2017	24/11/2017	22/12/2017	1.62	0.18	1.80
	Q2 2017	31/08/2017	07/09/2017	08/09/2017	13/10/2017	1.08	0.72	1.80
	Q1 2017	25/05/2017	08/06/2017	09/06/2017	14/07/2017	1.26	0.54	1.80
						6.17	1.69	7.85
2016	Q4 2016	23/02/2017	02/03/2017	03/03/2017	13/04/2017	2.16	0.24	2.40
	Q3 2016	17/11/2016	24/11/2016	25/11/2016	22/12/2016	1.63	0.12	1.75
	Q2 2016	01/09/2016	08/09/2016	09/09/2016	07/10/2016	1.50	0.25	1.75
	Q1 2016	27/05/2016	09/06/2016	10/06/2016	08/07/2016	1.36	0.39	1.75
						6.65	1.00	7.65

* Full year represents 06/11/2015 to 31/12/2015

Q1	1 Jan to 31 Mar
Q2	1 Apr to 30 Jun
Q3	1 Jul to 30 Sep
Q4	1 Oct to 31 Dec

NOTES

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