CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

		Group		Company	
	Note	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Revenue	4	**44,147**	39,891	**43,347**	38,490
Investment management		**(3,880)**	(3,854)	**(3,880)**	(3,782)
Operating expenses of rental property					
– rechargeable to tenants		**(3,526)**	(852)	**(3,526)**	(852)
– directly incurred		**(3,530)**	(3,422)	**(3,242)**	(3,174)
Professional fees		**(911)**	(617)	**(911)**	(579)
Directors' fees		**(318)**	(291)	**(318)**	(291)
Other expenses		**(822)**	(776)	**(819)**	(774)
Depreciation		**(112)**	–	**(112)**	–
Expenses		**(13,099)**	(9,812)	**(12,808)**	(9,452)
Operating profit before (loss)/profit on investment property, financing and Group reorganisations		**31,048**	30,079	**30,539**	29,038
Unrealised (loss)/profit on revaluation of investment property:					
– relating to property revaluations	10	**(91,551)**	93,977	**(91,840)**	86,656
– relating to costs of acquisition	10	**(3,426)**	(2,273)	**(3,426)**	(2,273)
Valuation (decrease)/increase		**(94,977)**	91,704	**(95,266)**	84,383
Profit on disposal of investment property		**4,368**	5,369	**4,368**	5,369
Net (loss)/profit on investment property		**(90,609)**	97,073	**(90,898)**	89,752
Operating (loss)/profit before financing and Group reorganisations		**(59,561)**	127,152	**(60,359)**	118,790
Finance income	6	**22**	–	**22**	–
Finance costs	7	**(6,282)**	(4,827)	**(6,105)**	(4,615)
Net finance costs		**(6,260)**	(4,827)	**(6,083)**	(4,615)
(Loss)/profit before Group reorganisations		**(65,821)**	122,325	**(66,442)**	114,175
Impairment of investments on receipt of dividends from Group companies	12	**–**	–	**(22,538)**	–
Dividends received from Group companies	12	**–**	–	**31,384**	–
Other		**–**	–	**(75)**	–
Net income from Group reorganisations	12	**–**	–	**8,771**	–
(Loss)/profit before tax		**(65,821)**	122,325	**(57,671)**	114,175
Income tax expense	8	**–**	–	**–**	–
(Loss)/profit for the year and total comprehensive income for the year, net of tax		**(65,821)**	122,325	**(57,671)**	114,175
Attributable to:					
Owners of the Company		**(65,821)**	122,325	**(57,671)**	114,175
Earnings per ordinary share:					
Basic and diluted (p)	3	**(14.9)**	28.5		
EPRA (p)	3	**5.6**	5.9		

The profit for the year arises from continuing operations.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2023

		Group		Company	
	Note	**31 March 2023 £000**	31 March 2022 £000	**31 March 2023 £000**	31 March 2022 £000
Non-current assets					
Investment property	10	**613,587**	665,186	**613,587**	616,211
Property, plant and equipment	11	**1,113**	–	**1,113**	–
Investments	12	**–**	–	**–**	22,538
Total non-current assets		**614,700**	665,186	**614,700**	638,749
Current assets					
Trade and other receivables	13	**3,748**	5,201	**3,748**	3,365
Cash and cash equivalents	15	**6,880**	11,624	**6,880**	9,217
Total current assets		**10,628**	16,825	**10,628**	12,582
Total assets		**625,328**	682,011	**625,328**	651,331
Equity					
Issued capital	17	**4,409**	4,409	**4,409**	4,409
Share premium	17	**250,970**	250,970	**250,970**	250,970
Merger reserve	17	**18,931**	18,931	**18,931**	18,931
Retained earnings	17	**163,259**	253,330	**163,259**	245,180
Total equity attributable to equity holders of the Company		**437,569**	527,640	**437,569**	519,490
Non-current liabilities					
Borrowings	16	**172,102**	113,883	**172,102**	113,883
Other payables		**570**	570	**570**	570
Total non-current liabilities		**172,672**	114,453	**172,672**	114,453
Current liabilities					
Borrowings	16	**–**	22,727	**–**	–
Trade and other payables	14	**7,666**	9,783	**7,666**	10,985
Deferred income		**7,421**	7,408	**7,421**	6,403
Total current liabilities		**15,087**	39,918	**15,087**	17,388
Total liabilities		**187,759**	154,371	**187,759**	131,841
Total equity and liabilities		**625,328**	682,011	**625,328**	651,331

These consolidated and Company financial statements of Custodian Property Income REIT plc were approved and authorised for issue by the Board of Directors on 14 June 2023 and are signed on its behalf by:

David Hunter
Chair

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

		Group		Company	
	Note	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Operating activities					
Profit for the year		**(65,821)**	122,325	**(57,671)**	114,175
Net finance costs		**6,260**	4,827	**6,083**	4,615
Valuation decrease/(increase) of investment property	10	**94,977**	(91,704)	**95,266**	(84,383)
Impact of rent free	10	**(1,677)**	(1,112)	**(1,690)**	(1,157)
Net income from group reorganisations	12	**–**	–	**(8,771)**	–
Amortisation of right-of-use asset		**8**	7	**8**	7
Profit on disposal of investment property		**(4,368)**	(5,369)	**(4,368)**	(5,369)
Depreciation		**112**	–	**(112)**	–
Cash flows from operating activities before changes in working capital and provisions		**29,491**	28,974	**28,969**	27,888
Decrease in trade and other receivables		**2,954**	1,923	**4,349**	2,636
(Decrease)/increase in trade and other payables and deferred income		**(2,104)**	1,702	**(1,559)**	1,180
Cash generated from operations		**30,341**	32,599	**31,759**	31,704
Interest and other finance charges		**(6,072)**	(4,463)	**(5,918)**	(4,279)
Net cash inflows from operating activities		**24,269**	28,136	**25,841**	27,425
Investing activities					
Purchase of investment property		**(52,603)**	(21,529)	**(52,603)**	(21,529)
Capital expenditure and development		**(11,333)**	(3,515)	**(11,333)**	(3,510)
Acquisition costs		**(3,426)**	(2,272)	**(3,426)**	(2,272)
Purchase of property, plant and equipment		**(1,225)**	–	**(1,225)**	–
Disposal of investment property		**28,767**	54,403	**28,767**	54,403
Costs of disposal of investment property		**(237)**	(479)	**(237)**	(479)
Interest and finance income received	6	**22**	–	**22**	–
Loan to subsidiaries		**–**	–	**(23,228)**	–
Cash acquired through the hive up of DRUM REIT		**–**	–	**835**	–
Net cash (outflows)/inflows from investing activities		**(40,035)**	26,608	**(62,428)**	26,613
Financing activities					
Proceeds from the issue of share capital	17	**–**	558	**–**	558
Costs of the issue of share capital		**–**	(51)	**–**	(51)
New borrowings	16	**58,500**	–	**58,500**	–
Repayment of borrowings and origination costs	16	**(23,228)**	(25,057)	**–**	(25,057)
Dividends paid	9	**(24,250)**	(24,191)	**(24,250)**	(24,191)
Net cash inflow/(outflow) from financing activities		**11,022**	(48,741)	**34,250**	(48,741)
Net (decrease)/increase in cash and cash equivalents		**(4,744)**	6,003	**(2,337)**	5,297
Cash acquired through the acquisition/hive up of DRUM REIT		**–**	1,701	**–**	–
Cash and cash equivalents at start of the year		**11,624**	3,920	**9,217**	3,920
Cash and cash equivalents at end of the year		**6,880**	11,624	**6,880**	9,217

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Note	Issued capital £000	Merger reserve £000	Share premium £000	Retained earnings £000	Total equity £000
As at 31 March 2021		4,201	–	250,469	155,196	409,866
Profit for the year		–	–	–	122,325	122,325
Total comprehensive income for year		–	–	–	122,325	122,325
Transactions with owners of the Company, recognised directly in equity						
Dividends	9	–	–	–	(24,191)	(24,191)
Issue of share capital	17	208	18,931	501	–	19,640
As at 31 March 2022		4,409	18,931	250,970	253,330	527,640
Loss for the year		–	–	–	(65,821)	(65,821)
Total comprehensive loss for year		–	–	–	(65,821)	(65,821)
Transactions with owners of the Company, recognised directly in equity						
Dividends	9	–	–	–	(24,250)	(24,250)
Issue of share capital	17	–	–	–	–	–
As at 31 March 2023		**4,409**	**18,931**	**250,970**	**163,259**	**437,569**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Note	Issued capital £000	Merger reserve £000	Share premium £000	Retained earnings £000	Total equity £000
As at 31 March 2021		4,201	–	250,469	155,196	409,866
Profit for the year		–	–	–	114,175	114,175
Total comprehensive income for year		–	–	–	114,175	114,175
Transactions with owners of the Company, recognised directly in equity						
Dividends	9	–	–	–	(24,191)	(24,191)
Issue of share capital	17	208	18,931	501	–	19,640
As at 31 March 2022		4,409	18,931	250,970	245,180	519,490
Loss for the year		–	–	–	(57,671)	(57,671)
Total comprehensive loss for year		–	–	–	(57,671)	(57,671)
Transactions with owners of the Company, recognised directly in equity						
Dividends	9	–	–	–	(24,250)	(24,250)
Issue of share capital	17	–	–	–	–	–
As at 31 March 2023		**4,409**	**18,931**	**250,970**	**163,259**	**437,569**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1. Corporate information

The Company is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the London Stock Exchange plc's main market for listed securities. The consolidated and parent company financial statements have been prepared on a historical cost basis, except for the revaluation of investment property, and are presented in pounds sterling with all values rounded to the nearest thousand pounds (£000), except when otherwise indicated. The consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 14 June 2023.

2. Basis of preparation and accounting policies

2.1. Basis of preparation

The consolidated financial statements and the separate financial statements of the parent company have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the IASB. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

Certain statements in this report are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward-looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward-looking statements.

2.2. Basis of consolidation

The consolidated financial statements consolidate those of the parent company and its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Custodian Real Estate Limited has a reporting date in line with the Company. All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of the subsidiary are adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date the Company gains control up to the effective date when the Company ceases to control the subsidiary.

2.3. Business combinations

Where property is acquired, via corporate acquisitions or otherwise, the substance of the assets and activities of the acquired entity are considered in determining whether the acquisition represents a business combination or an asset purchase under IFRS 3 – Business Combinations.

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. 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 goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. To assist in determining whether a purchase of investment property via corporate acquisition or otherwise meets the definition of a business or is the purchase of a group of assets, the group will apply the optional concentration test in IFRS 3 to determine whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is not met the group applies judgement to assess whether acquired set of activities and assets includes, at a minimum, an input and a substantive process by applying IFRS 3:B8 to B12D. Where such acquisitions are not judged to be a business combination, due to the asset or group of assets not meeting the definition of a business, they are accounted for as asset acquisitions and the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly no goodwill or additional deferred taxation arises.

Under the acquisition accounting method, the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date. The consideration transferred is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2.4. Application of new and revised International Financial Reporting Standards

During the year the Company adopted the following new standards with no impact on reported financial performance or position:

- Amendments to IFRS 3 – References to the conceptual framework
- Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use
- Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract
- Annual improvements to IFRSs: 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41

The IASB and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations, as at the date of this report, that are mandatory for later accounting periods and which have not been adopted early. They are not expected to have a material impact on the financial statements.

2. Basis of preparation and accounting policies continued

2.4. Application of new and revised International Financial Reporting Standards continued

• IFRS 17	– Insurance contracts
• Amendments IFRS 17	– Initial application of IFRS 17 and IFRS 9 – comparative information
• Amendments IFRS 16	– Lease liability in a sale and leaseback
• Amendments IAS 1	– Classification of liabilities as current or non-current – deferral of effective date
	– Disclosure of accounting policies
	– Non-current liabilities with covenants
• Amendments IAS 8	– Definition of accounting estimates
• Amendments IAS 12	– Deferred tax related to assets and liabilities arising from a single transaction
• Amendments IFRS 4	– Extension of the temporary exemption from applying IFRS 9
• Amendments to IAS 12	– Pillar two model Rules
• IAS 7/IFRS 7	– Supplier finance arrangements

2.5. Significant accounting policies

The principal accounting policies adopted by the Group and Company and applied to these financial statements are set out below.

Going concern

The Directors believe the Company is well placed to manage its business risks successfully and the Company's projections show that it should be able to operate within the level of its current financing arrangements for at least the 12 months from the date of approval of these financial statements, set out in more detail in the Directors' report and Principal risks and uncertainties section of the Strategic Report. Accordingly, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

Income recognition

Contractual revenues are allocated to each performance obligation of a contract and revenue is recognised on a basis consistent with the transfer of control of goods or services. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duties.

Rental income from operating leases on properties owned by the Company is accounted for on a straight-line basis over the term of the lease. Rental income excludes service charges and other costs directly recoverable from tenants. Rental income excludes service charges and other costs directly recoverable from tenants which are recognised within "income from recharges to tenants".

Lease incentives are recognised on a straight-line basis over the lease term.

Revenue and profits on the sale of properties are recognised on the completion of contracts. The amount of profit recognised is the difference between the sale proceeds and the carrying amount.

Finance income relates to bank interest receivable and amounts receivable on ongoing development funding contracts.

Taxation

The Group operates as a REIT and hence profits and gains from the property rental business are normally expected to be exempt from corporation tax. The tax expense represents the sum of the tax currently payable and deferred tax relating to the residual (non-property rental) business. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Investment property

Investment property is held to earn rentals and/or for capital appreciation and is initially recognised at cost including direct transaction costs. Investment property is subsequently valued externally on a market basis at the reporting date and recorded at valuation. Any surplus or deficit arising on revaluing investment property is recognised in profit or loss in the year in which it arises. Dilapidations receipts are held in the statement of financial position and offset against subsequent associated expenditure. Any ultimate gains or shortfalls are measured by reference to previously published valuations and recognised in profit or loss, offset against any directly corresponding movement in fair value of the investment properties to which they relate.

Group undertakings

Investments are included in the Company only statement of financial position at cost less any provision for impairment. The hive up of the trade and assets of DRUM REIT during the year was undertaken at their carrying value on the date of hive-up. Trade since the date of the hive-up has been included in the parent company results, whilst trade before hive-up has been excluded. Prior year comparatives have not been amended.

Non-listed equity investments

Non-listed equity investments are classified at fair value through profit and loss and are subsequently measured using Level 3 inputs, meaning valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. Basis of preparation and accounting policies continued

2.5. Significant accounting policies continued

Property, plant and equipment

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost of assets (less their residual values) over their useful lives, using the straight-line method, on the following bases:

EV chargers	10 years
Photovoltaic cells	20 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and on-demand deposits, and other short-term highly liquid investments that are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes and are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

Other financial assets

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual terms of the instrument.

The Company's financial assets include cash and cash equivalents and trade and other receivables. Interest resulting from holding financial assets is recognised in profit or loss on an accruals basis.

Trade receivables are initially recognised at their transaction price and subsequently measured at amortised cost as the business model is to collect the contractual cash flows due from tenants. An impairment provision is created based on expected credit losses, which reflect the Company's historical credit loss experience and an assessment of current and forecast economic conditions at the reporting date.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share capital represents the nominal value of equity shares issued. Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares, net of direct issue costs.

Retained earnings include all current and prior year results as disclosed in profit or loss. Retained earnings include realised and unrealised profits. Profits are considered unrealised where they arise from movements in the fair value of investment properties that are considered to be temporary rather than permanent.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlements or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method and are included in accruals to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Leases

Where an investment property is held under a leasehold interest, the headlease is initially recognised as an asset at cost plus the present value of minimum ground rent payments. The corresponding rental liability to the head leaseholder is included in the balance sheet as a liability. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining lease liability.

Segmental reporting

An operating segment is a distinguishable component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker (the Board) to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available. As the chief operating decision maker reviews financial information for, and makes decisions about the Company's investment properties as a portfolio, the Directors have identified a single operating segment, that of investment in commercial properties.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 MARCH 2023

2. Basis of preparation and accounting policies continued

2.6. Key sources of judgements and estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on the Directors' best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Judgements

No significant judgements have been made in the process of applying the Group's and parent company's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised within the financial statements.

Estimates

The accounting estimates with a significant risk of a material change to the carrying values of assets and liabilities within the next year are:

- *Valuation of investment property* – Investment property is valued at the reporting date at fair value. Where an investment property is being redeveloped the property continues to be treated as an investment property. Surpluses and deficits attributable to the Company arising from revaluation are recognised in profit or loss. Valuation surpluses reflected in retained earnings are not distributable until realised on sale. In making its judgement over the valuation of properties, the Company considers valuations performed by the independent valuers in determining the fair value of its investment properties. The valuers make reference to market evidence of transaction prices for similar properties. The valuations are based upon assumptions including future rental income, anticipated capital expenditure and maintenance costs (particularly in the context of mitigating the impact of climate change) and appropriate discount rates (ie property yields). The key sources of estimation uncertainty within these inputs above are future rental income and property yields. Reasonably possible changes to these inputs across the portfolio would have a material impact on its valuation.

3. Earnings per ordinary share

Basic EPS amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive instruments in issue. Any shares issued after the year end are disclosed in Note 21.

The Company is a FTSE EPRA/NAREIT index series constituent and EPRA performance measures have been disclosed to facilitate comparability with the Company's peers through consistent reporting of key performance measures. EPRA has issued recommended bases for the calculation of EPS as alternative indicators of performance.

Group	**Year ended 31 March 2023**	Year ended 31 March 2022
Net (loss)/profit and diluted net profit attributable to equity holders of the Company (£000)	**(65,821)**	122,325
Net (loss/(profit)/loss) on investment property (£000)	**90,609**	(97,073)
EPRA net profit attributable to equity holders of the Company (£000)	**24,788**	25,252
Weighted average number of ordinary shares:		
Issued ordinary shares at start of the year (thousands)	**440,850**	420,053
Effect of shares issued during the year (thousands)	**–**	8,649
Basic and diluted weighted average number of shares (thousands)	**440,850**	428,702
Basic and diluted EPS (p)	**(14.9)**	28.5
EPRA EPS (p)	**5.6**	5.9

4. Revenue

	Group		Company	
	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Gross rental income from investment property	**40,558**	39,039	**39,758**	37,638
Income from recharges to tenants	**3,526**	852	**3,526**	852
Other income	**63**	–	**63**	–
	44,147	39,891	**43,347**	38,490

5. Operating profit

Operating profit is stated after (crediting)/charging:

	Group		Company	
	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Profit on disposal of investment property	**(4,368)**	(5,369)	**(4,368)**	(5,369)
Investment property valuation decrease/(increase)	**94,977**	(91,704)	**95,266**	(84,383)
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**154**	138	**154**	138
Fees payable to the Company's auditor and its associates for other services	**35**	25	**35**	25
Administrative fee payable to the Investment Manager	**581**	459	**581**	459
Directly incurred operating expenses of vacant rental property	**1,857**	1,826	**1,857**	1,611
Directly incurred operating expenses of let rental property	**1,286**	1,444	**1,286**	1,418
Amortisation of right-of-use asset	**8**	7	**8**	7

Fees payable to the Company's auditor, Deloitte LLP, are further detailed in the Audit and Risk Committee report.

6. Finance income

	Group		Company	
	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Bank interest	**22**	–	**22**	–
Finance income	**–**	–	**–**	–
	22	–	**22**	–

7. Finance costs

	Group		Company	
	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Amortisation of arrangement fees on debt facilities	**220**	364	**187**	337
Other finance costs	**375**	307	**375**	302
Bank interest	**5,687**	4,156	**5,543**	3,976
	6,282	4,827	**6,105**	4,615

8. Income tax

The tax charge assessed for the year is lower than the standard rate of corporation tax in the UK during the year of 19.0%. The differences are explained below:

	Group		Company	
	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Profit before income tax	**(65,821)**	122,325	**(57,671)**	114,175
Tax charge on profit at a standard rate of 19.0% (2022: 19.0%)	**(12,506)**	23,242	**(10,957)**	21,693
Effects of:				
REIT tax exempt rental profits and gains	**12,506**	(23,242)	**10,957**	(21,693)
Income tax expense	**–**	–	**–**	–
Effective income tax rate	**0.0%**	0.0%	**0.0%**	0.0%

The standard rate of UK corporation tax increased to 25% on 1 April 2023.

The Company operates as a REIT and hence profits and gains from the property investment business are normally exempt from corporation tax.

9. Dividends

Group and Company	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Interim dividends paid on ordinary shares relating to the quarter ended:		
Prior year		
– 31 March 2022: 1.375p (2021: 1.25p)	**6,065**	5,257
– 31 March 2022: nil (2021: 0.5p)	**–**	2,102
Current year		
– 30 June 2022: 1.375p (2021: 1.25p)	**6,062**	5,257
– 30 September 2022: 1.375p (2021: 1.25p)	**6,062**	5,511
– 31 December 2022: 1.375p (2021: 1.375p)	**6,061**	6,062
	24,250	24,191

The Company paid a fourth interim dividend relating to the quarter ended 31 March 2023 of 1.375p per ordinary share (totalling £6.1m) on 31 May 2023 to shareholders on the register at the close of business on 12 May 2023 which has not been included as liabilities in these financial statements.

10. Investment property

	Group £000	Company £000
At 31 March 2021	551,922	551,922
Impact of lease incentives	1,112	1,157
Additions	65,495	23,801
Amortisation of right-of-use asset	(7)	(7)
Capital expenditure and development	3,515	3,510
Disposals	(48,555)	(48,555)
Valuation increase before acquisition costs	93,977	86,656
Acquisition costs	(2,273)	(2,273)
Valuation increase including acquisition costs	91,704	84,383
At 31 March 2022	**665,186**	**616,211**
Impact of lease incentives	1,677	1,690
Additions	56,033	56,033
Transfers from group companies	–	49,251
Amortisation of right-of-use asset	(8)	(8)
Capital expenditure and development	9,954	9,954
Disposals	(24,278)	(24,278)
Valuation decrease before acquisition costs	(91,551)	(91,840)
Acquisition costs	(3,426)	(3,426)
Valuation decrease including acquisition costs	(94,977)	(95,266)
At 31 March 2023	**613,587**	**613,587**

£447.3m (2022: £458.0m) of investment property was charged as security against the Company's borrowings at the year end. £0.6m (2022: £0.6m) of investment property comprises right-of-use assets.

The carrying value of investment property at 31 March 2023 comprises £526.1m freehold (2022: £444.1m) and £87.5m leasehold property (2022: £107.4m).

Company only investment property additions during the year of £105.3m include £49.3m transferred from Custodian Real Estate (DROP) Limited, a subsidiary, as part of the hive-up of the trade and assets of DRUM REIT.

Investment property is stated at the Directors' estimate of its 31 March 2023 fair value. Savills (UK) Limited ("Savills") and Knight Frank LLP ("KF"), professionally qualified independent valuers, each valued approximately half of the property portfolio as at 31 March 2023 in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). Savills and KF have recent experience in the relevant locations and categories of the property being valued.

Investment property has been valued using the investment method which involves applying a yield to rental income streams. Inputs include yield, current rent and ERV. For the year end valuation, the following inputs were used:

Sector	Valuation 31 March 2023 £000	Weighted average passing rent (£ per sq ft)	Weighted average ERV range (£ per sq ft)	Equivalent yield	Topped-up NIY
Industrial	295.1	6.7	4.8 – 18.0	6.6%	5.1%
Retail warehouse	131.8	14.3	7.0 – 17.5	7.3%	7.2%
Other	78.6	19.5	2.9 – 71.2*	8.0%	6.8%
Office	71.7	18.7	8.5 – 35.8	8.9%	6.4%
High street retail	36.4	30.7	3.8 – 57.4	8.6%	9.6%

* Drive-through restaurants' ERV per sq ft are based on building floor area rather than area inclusive of drive-through lanes.

Valuation reports are based on both information provided by the Company eg current rents and lease terms, which are derived from the Company's financial and property management systems and are subject to the Company's overall control environment, and assumptions applied by the valuers eg ERVs, expected capital expenditure and yields. These assumptions are based on market observation and the valuers' professional judgement. In estimating the fair value of each property, the highest and best use of the properties is their current use.

All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of investment property, and an increase in the current or estimated future rental stream would have the effect of increasing capital value, and vice versa. However, there are interrelationships between unobservable inputs which are partially determined by market conditions, which could impact on these changes.

11. Property, plant and equipment

EV chargers and PV cells Group and Company	At 31 March 2023 £000	At 31 March 2022 £000	At 31 March 2021 £000
Cost			
Balance at the start of the year	–	–	–
Additions	1,225	–	–
	1,225	–	–
Depreciation			
At the start of the year	–	–	–
During the year	(112)	–	–
	(112)	–	–
Net book value at the end of the year	1,113	–	–

12. Investments

Shares in subsidiaries

Company Name	Company number	Country of registration and incorporation	Principal activity	Ordinary shares held	31 March 2023 £000	31 March 2022 £000
Custodian REIT Limited	08882372	England and Wales	Non-trading	100%	–	–
Custodian Real Estate (Beaumont Leys) Limited*	04364589	England and Wales	Dissolved	100%	–	4
Custodian Real Estate (Leicester) Limited*	04312180	England and Wales	Dissolved	100%	–	497
Custodian Real Estate (JMP4) Limited	11187952	England and Wales	Dissolved	100%	–	2,904
Custodian Real Estate (DROP Holdings) Limited (formerly DRUM Income Plus REIT plc)	9511797	England and Wales	In Liquidation	100%	–	19,133
Custodian Real Estate (DROP) Limited (formerly DRUM Income Plus Limited)*	9515513	England and Wales	In Liquidation	100%	–	–
					–	22,538

* Held indirectly.

The trade and assets of Custodian Real Estate (DROP Holdings) Limited and Custodian Real Estate (DROP) Limited were hived up into the Company in June 2022 via an intercompany transfer. In November 2022 Custodian Real Estate (DROP Holdings) Limited and Custodian Real Estate (DROP) Limited went through a 'pre-liquidation' exercise which culminated in a non-cash dividend of £28.0m being declared from Custodian Real Estate (DROP Holdings) Limited to the Company to clear the associated intercompany balance. The declaration of this dividend resulted in a corresponding impairment to the Company's investment in Custodian Real Estate (DROP Holdings) Limited of £19.1m. Custodian Real Estate (DROP Holdings) Limited and Custodian Real Estate (DROP) Limited were then entered into a solvent liquidation process in December 2022.

Custodian Real Estate (Beaumont Leys) Limited, Custodian Real Estate (Leicester) Limited and Custodian Real Estate (JMP4) Limited have made distributions totalling £3.4m in advance of completing their liquidations during the year which resulted in a corresponding impairment to the Company's investments in those companies.

The Company's non-trading UK subsidiaries have claimed the audit exemption available under Section 479A of the Companies Act 2006. The Company's registered office is also the registered office of each UK subsidiary.

Non-listed equity investments

Group and Company Name	Company number	Country of registration and incorporation	Principal activity	Ordinary shares held	31 March 2023 £000	31 March 2022 £000
AGO Hotels Limited	12747566	England and Wales	Operator of hotels	4.5%	–	–
					–	–

The Company was allotted 4.5% of the ordinary share capital of AGO Hotels Limited on 31 January 2021 as part of a new letting of its hotel asset in Portishead.

13. Trade and other receivables

	Group		Company	
	31 March 2023 £000	31 March 2022 £000	**31 March 2023 £000**	31 March 2022 £000
Falling due in less than one year:				
Trade receivables	**1,355**	3,094	**1,355**	2,642
Other receivables	**2,100**	1,960	**2,100**	576
Prepayments and accrued income	**293**	147	**293**	147
	3,748	5,201	**3,748**	3,365

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk, for example a deterioration in a tenant's or sector's outlook or rent payment performance, and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before amounts become past due.

Tenant rent deposits of £1.5m (2022: £1.1m) are held as collateral against certain trade receivable balances.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Available information indicates the debtor is unlikely to pay its creditors.

Such balances are provided for in full. For remaining balances the Company has applied an expected credit loss ("ECL") matrix based on its experience of collecting rent arrears.

	Group		Company	
Expected credit loss provision	**31 March 2023 £000**	31 March 2022 £000	**31 March 2023 £000**	31 March 2022 £000
Opening balance	**2,739**	3,030	**2,739**	3,030
Increase/(decrease) in provision relating to trade receivables that are credit-impaired	**453**	(291)	**453**	(291)
Utilisation of provisions	**(2,049)**	–	**(2,049)**	–
Closing balance	**1,143**	2,739	**1,143**	2,739

The significant utilisation of the expected credit loss provision during the year was a result of clearing down a large proportion of provisions made during FY21 as a result of the COVID-19 pandemic. Remaining provisions against these historical arrears are expected to be utilised during FY24.

14. Trade and other payables

	Group		Company	
	31 March 2023 £000	31 March 2022 £000	**31 March 2023 £000**	31 March 2022 £000
Falling due in less than one year:				
Trade and other payables	**972**	3,960	**972**	1,973
Social security and other taxes	**498**	456	**498**	366
Accruals	**4,693**	4,226	**4,693**	4,100
Rental deposits	**1,503**	1,141	**1,503**	1,141
Amounts due to subsidiary undertakings	**–**	–	**–**	3,405
	7,666	9,783	**7,666**	10,985

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers interest is charged if payment is not made within the required terms. Thereafter, interest is chargeable on the outstanding balances at various rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timescale.

Amounts payable to subsidiary undertakings are due on demand.

15. Cash and cash equivalents

	Group		Company	
	31 March 2023 £000	31 March 2022 £000	**31 March 2023 £000**	31 March 2022 £000
Cash and cash equivalents	**6,880**	11,624	**6,880**	9,217

Group and Company cash and cash equivalents at 31 March 2023 include £1.6m (2022: £1.7m) of restricted cash comprising: £1.5m (2022: £1.1m) rental deposits held on behalf of tenants, £nil (2022: £0.3m) exchange deposits on pipeline acquisitions and £0.1m (2022: £0.3m) retentions held in respect of development fundings.

16. Borrowings

The table below sets out changes in liabilities arising from financing activities during the year.

	Group			Company		
	Borrowings £000	Costs incurred in the arrangement of borrowings £000	Total £000	Borrowings £000	Costs incurred in the arrangement of borrowings £000	Total £000
Falling due within one year:						
At 31 March 2021	–	–	–	–	–	–
Borrowings arising from the acquisition of DRUM REIT	22,760	(60)	22,700	–	–	–
Amortisation of arrangement fees	–	27	27	–	–	–
At 31 March 2022	22,760	(33)	22,727	–	–	–
Repayment of borrowings	(22,760)		(22,760)	–	–	–
Amortisation of arrangement fees	–	33	33	–	–	–
At 31 March 2023	**–**	**–**	**–**	**–**	**–**	**–**
Falling due after more than one year:						
At 31 March 2021	140,000	(1,396)	138,604	140,000	(1,396)	138,604
Repayment of borrowings	(25,000)	–	(25,000)	(25,000)	–	(25,000)
Arrangement fees incurred	–	(57)	(57)	–	(57)	(57)
Amortisation of arrangement fees	–	336	336	–	336	336
At 31 March 2022	115,000	(1,117)	113,883	115,000	(1,117)	113,883
Additional borrowings	58,500	–	58,500	58,500	–	58,500
Arrangement fees incurred	–	(468)	(468)	–	(454)	(454)
Amortisation of arrangement fees	–	187	187	–	173	173
At 31 March 2023	**173,500**	**(1,398)**	**172,102**	**173,500**	**(1,398)**	**172,102**
Total borrowings:						
At 31 March 2023	**173,500**	**(1,398)**	**172,102**	**173,500**	**(1,398)**	**172,102**

In June 2022 the Company arranged a £25m tranche of 10-year debt with Aviva at a fixed rate of interest of 4.10% per annum to refinance a £25m variable rate revolving credit facility with Royal Bank of Scotland ("RBS") which was due to expire in September 2022.

At the year end the Company has the following facilities available:

- A £40m RCF with Lloyds with interest of between 1.5% and 1.8% above SONIA and is repayable on 17 September 2024. The RCF limit can be increased to £50m with Lloyds' consent, with £33.5m drawn at the year end;
- A £20m term loan with Scottish Widows plc with interest fixed at 3.935% and is repayable on 13 August 2025;
- A £45m term loan with Scottish Widows plc with interest fixed at 2.987% and is repayable on 5 June 2028; and
- A £75m term loan facility with Aviva comprising:
  - A £35m tranche repayable on 6 April 2032, with fixed annual interest of 3.02%;
  - A £15m tranche repayable on 3 November 2032 with fixed annual interest of 3.26%; and
  - A £25m tranche repayable on 3 November 2032 with fixed annual interest of 4.10%.

16. Borrowings continued

Each facility has a discrete security pool, comprising a number of the Company's individual properties, over which the relevant lender has security and covenants:

- The maximum LTV of the discrete security pool is between 45% and 50%, with an overarching covenant on the Company's property portfolio of a maximum 35% LTV; and
- Historical interest cover, requiring net rental income from each discrete security pool, over the preceding three months, to exceed 250% of the facility's quarterly interest liability.

The Company's debt facilities contain market-standard cross-guarantees such that a default on an individual facility will result in all facilities falling into default.

17. Share capital

Group and Company Issued and fully paid share capital	Ordinary shares of 1p	£000
At 1 April 2021	420,053,344	4,201
Issue of share capital	20,797,054	208
At 31 March 2022	**440,850,398**	**4,409**
Issue of share capital	–	–
At 31 March 2023	**440,850,398**	**4,409**

During the year ending 31 March 2022, the Company issued 550,000 shares for cash consideration of 101.5p per share and issued 20,247,040 shares as consideration for the acquisition of DRUM Property Income REIT plc at their market value of 94.5p per share.

Rights, preferences and restrictions on shares

All ordinary shares carry equal rights and no privileges are attached to any shares in the Company. All the shares are freely transferable, except as otherwise provided by law. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

At the AGM of the Company held on 31 August 2022, the Board was given authority to issue up to 146,950,133 shares, pursuant to section 551 of the Companies Act 2006 ("the Authority"). The Authority is intended to satisfy market demand for the ordinary shares and raise further monies for investment in accordance with the Company's investment policy. No ordinary shares have been issued under the Authority since 31 August 2022. The Authority expires on the earlier of 15 months from 31 August 2022 and the subsequent AGM, due to take place on 8 August 2023.

In addition, the Company was granted authority to make market purchases of up to 44,085,039 ordinary shares under section 701 of the Companies Act 2006. No market purchases of ordinary shares have been made.

	Company	Group	Group and Company	
Other reserves	Retained earnings £000	Retained earnings £000	Share premium account £000	Merger reserve £000
At 1 April 2021	155,196	155,196	250,469	–
Shares issued during the year	–	–	552	18,931
Costs of share issue	–	–	(51)	–
Profit for the year	114,175	122,325	–	–
Dividends paid	(24,191)	(24,191)	–	–
At 31 March 2022	**245,180**	**253,330**	**250,970**	**18,931**
Shares issued during the year	–	–	–	–
Costs of share issue	–	–	–	–
Loss for the year	(57,671)	(65,821)	–	–
Dividends paid	(24,250)	(24,250)	–	–
At 31 March 2023	**163,259**	**163,259**	**250,970**	**18,931**

The nature and purpose of each reserve within equity are:

- Share premium – Amounts subscribed for share capital in excess of nominal value less any associated issue costs that have been capitalised.
- Retained earnings – All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
- Merger reserve – A non-statutory reserve that is credited instead of a company's share premium account in circumstances where merger relief under section 612 of the Companies Act 2006 is obtained.

18. Commitments and contingencies

Company as lessor

Operating leases, in which the Company is the lessor, relate to investment property owned by the Company with lease terms of between 0 to 15 years. The aggregated future minimum rentals receivable under all non-cancellable operating leases are:

	Group		Company	
	31 March 2023 £000	31 March 2022 £000	**31 March 2023 £000**	31 March 2022 £000
Not later than one year	**37,930**	36,512	**37,930**	33,565
Year 2	**33,519**	32,830	**33,519**	30,332
Year 3	**28,669**	27,986	**28,669**	25,819
Year 4	**25,193**	23,367	**25,193**	21,975
Year 5	**19,839**	19,764	**19,839**	18,546
Later than five years	**71,446**	67,843	**71,446**	62,418
	216,596	208,302	**216,596**	192,655

The following table presents rent amounts reported in revenue:

	Group		Company	
	31 March 2023 £000	31 March 2022 £000	**31 March 2023 £000**	31 March 2022 £000
Lease income on operating leases	**40,371**	38,884	**39,571**	37,483
Therein lease income relating to variable lease payments that do not depend on an index or rate	**187**	155	**187**	155
	40,558	39,039	**39,758**	37,638

19. Related party transactions

Save for transactions described below, the Company is not a party to, nor had any interest in, any other related party transaction during the year.

Transactions with directors

Each of the Directors is engaged under a letter of appointment with the Company and does not have a service contract with the Company. Under the terms of their appointment, each Director is required to retire by rotation and seek re-election at least every three years. Each Director's appointment under their respective letter of appointment is terminable immediately by either party (the Company or the Director) giving written notice and no compensation or benefits are payable upon termination of office as a Director of the Company becoming effective.

Ian Mattioli is Chief Executive of Mattioli Woods, the parent company of the Investment Manager, and is a Director of the Investment Manager. As a result, Ian Mattioli is not independent. The Company Secretary, Ed Moore, is also a Director of the Investment Manager.

Compensation paid to the directors, who are also considered 'key management personnel' in addition to the key Investment Manager personnel, is disclosed in the Remuneration report. The directors' remuneration report also satisfies the disclosure requirements of paragraph 1 of Schedule 5 to the Accounting Regulations.

Investment Management Agreement

The Investment Manager is engaged as AIFM under an IMA with responsibility for the management of the Company's assets, subject to the overall supervision of the Directors. The Investment Manager manages the Company's investments in accordance with the policies laid down by the Board and the investment restrictions referred to in the IMA. The Investment Manager also provides day-to-day administration of the Company and acts as secretary to the Company, including maintenance of accounting records and preparing the annual and interim financial statements of the Company.

Annual management fees payable to the Investment Manager under the IMA are:

- 0.9% of the NAV of the Company as at the relevant quarter day which is less than or equal to £200m divided by 4;
- 0.75% of the NAV of the Company as at the relevant quarter day which is in excess of £200m but below £500m divided by 4;
- 0.65% of the NAV of the Company as at the relevant quarter day which is in excess of £500m but below £750m divided by 4; plus
- 0.55% of the NAV of the Company as at the relevant quarter day which is in excess of £750m divided by 4.

19. Related party transactions continued
Investment Management Agreement continued

In June 2023 the rates applicable to each NAV hurdle for calculating the Administrative fees payable to the Investment Manager under the IMA were amended, with effect from 1 April 2022, to:

- 0.125% of the NAV of the Company as at the relevant quarter day which is less than or equal to £200m divided by 4;
- 0.115% (2022: 0.08%) of the NAV of the Company as at the relevant quarter day which is in excess of £200m but below £500m divided by 4;
- 0.020% (2022: 0.05%) of the NAV of the Company as at the relevant quarter day which is in excess of £500m but below £750m divided by 4; plus
- 0.015% (2022: 0.03%) of the NAV of the Company as at the relevant quarter day which is in excess of £750m divided by 4.

The IMA is terminable by either party by giving not less than 12 months' prior written notice to the other. The IMA may also be terminated on the occurrence of an insolvency event in relation to either party, if the Investment Manager is fraudulent, grossly negligent or commits a material breach which, if capable of remedy, is not remedied within three months, or on a force majeure event continuing for more than 90 days.

The Investment Manager receives a marketing fee of 0.25% (2022: 0.25%) of the aggregate gross proceeds from any issue of new shares in consideration of the marketing services it provides to the Company.

During the year the Investment Manager charged the Company £4.46m (2022: £4.41m) comprising £3.88m (2022: £3.86m) in respect of annual management fees, £0.58m (2022: £0.46m) in respect of administrative fees and £nil (2022: £nil) in respect of marketing fees. During the prior year the Investment Manager charged the Company a transaction fee of £0.09m relating to work carried out on the acquisition of DRUM REIT.

Mattioli Woods arranges insurance on behalf of the Company's tenants through an insurance broker and the Investment Manager is paid a commission by the Company's tenants for administering the policy.

20. Financial risk management
Capital risk management

The Company manages its capital to ensure it can continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance within the parameters of its investment policy. The capital structure of the Company consists of debt, which includes the borrowings disclosed below, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued ordinary share capital, share premium and retained earnings.

Net gearing

The Board reviews the capital structure of the Company on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with it. The Company has a medium-term target net gearing ratio of 25% determined as the proportion of debt (net of unrestricted cash) to investment property. The net gearing ratio at the year-end was 27.4% (2022: 19.1%).

Externally imposed capital requirements

The Company is not subject to externally imposed capital requirements, although there are restrictions on the level of interest that can be paid due to conditions imposed on REITs.

Financial risk management

The Company seeks to minimise the effects of interest rate risk, credit risk, liquidity risk and cash flow risk by using fixed and floating rate debt instruments with varying maturity profiles, at low levels of net gearing.

Interest rate risk management

The Company's activities expose it primarily to the financial risks of increases in interest rates, as it borrows funds at floating interest rates. The risk is managed by maintaining:

- An appropriate balance between fixed and floating rate borrowings;
- A low level of net gearing; and
- An RCF whose flexibility allows the Company to manage the risk of changes in interest rates by paying down variable borrowings using the proceeds of equity issuance, property sales or arranging fixed-rate debt.

The Board periodically considers the availability and cost of hedging instruments to assess whether their use is appropriate and also considers the maturity profile of the Company's borrowings.

Interest rate sensitivity analysis

Interest rate risk arises on interest payable on the RCF only, as interest on all other debt facilities is payable on a fixed rate basis. At 31 March 2023, the RCF was drawn at £33.5m. Assuming this amount was outstanding for the whole year and based on the exposure to interest rates at the reporting date, if SONIA had been 1.0% higher/lower and all other variables were constant, the Company's profit for the year ended 31 March 2023 would decrease/increase by £0.3m.

20. Financial risk management continued

Market risk management

The Company manages its exposure to market risk by holding a portfolio of investment property diversified by sector, location and tenant.

Market risk sensitivity

Market risk arises on the valuation of the Company's property portfolio in complying with its bank loan covenants (Note 16). The Company would breach its overall borrowing covenant if the valuation of its property portfolio fell by 19% (2022: 45%).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is primarily attributable to its trade receivables and cash balances. The amounts included in the statement of financial position are net of allowances for bad and doubtful debts. An allowance for impairment is made where a debtor is in breach of its financial covenants, available information indicates a debtor can't pay or where balances are significantly past due.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The maximum credit risk on financial assets at 31 March 2023, which comprise trade receivables plus unrestricted cash, was £6.6m (2022: Group - £13.0m, Company - £10.1m).

The Company has no significant concentration of credit risk, with exposure spread over a large number of tenants covering a wide variety of business types. Further detail on the Company's credit risk management process is included within the Strategic Report.

Cash of £6.9m (2022: £11.6m) is held with Lloyds Bank plc which has a credit rating of A1[46].

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The following tables detail the Company's contractual maturity for its financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Group and Company	Interest rate %	31 March 2023 0-3 months £000	31 March 2023 months-1 year £000	31 March 2023 1-5 years £000	31 March 2023 5 years + £000
Trade and other payables	**N/A**	**7,168**	**–**	**151**	**420**
Borrowings:					
Variable rate	**5.98**	**501**	**1,502**	**34,439**	**–**
Fixed rate	**3.935**	**197**	**590**	**21,082**	**–**
Fixed rate	**2.987**	**336**	**1,008**	**5,377**	**45,250**
Fixed rate	**3.020**	**264**	**793**	**4,228**	**39,248**
Fixed rate	**3.260**	**122**	**367**	**1,956**	**17,249**
Fixed rate	**4.100**	**154**	**461**	**2,462**	**25,367**
		8,742	**4,722**	**69,694**	**127,535**

Group	Interest rate %	31 March 2022 (as restated) 0-3 months £000	31 March 2022 (as restated) 3 months-1 year £000	31 March 2022 (as restated) 1-5 years £000	31 March 2022 (as restated) 5 years + £000
Trade and other payables	N/A	9,327	–	151	420
Borrowings:					
Variable rate	2.441	139	22,839	–	–
Fixed rate	3.935	197	590	22,656	–
Fixed rate	2.987	336	1,008	5,377	47,939
Fixed rate	3.020	264	793	4,228	41,362
Fixed rate	3.260	122	367	1,956	18,227
		10,385	25,597	34,368	107,948

46. Source: Moody's.

20. Financial risk management continued
Liquidity risk management continued

Company	Interest rate %	31 March 2022 (as restated) 0-3 months £000	31 March 2022 (as restated) 3 months-1 year £000	31 March 2022 (as restated) 2-5 years £000	31 March 2022 (as restated) 5 years + £000
Trade and other payables	N/A	10,619	–	151	420
Borrowings:					
Variable rate	2.491	100	299	22,656	
Fixed rate	3.935	197	590	2,656	–
Fixed rate	2.987	336	1,008	5,377	47,939
Fixed rate	3.020	264	793	4,228	41,362
Fixed rate	3.260	122	367	1,956	18,227
		11,538	2,758	34,368	107,948

The tables relating to the year ended 31 March 2022 above have been restated due to a reclassification of certain current liabilities as financial instruments included in error (social security and other tax payables of £456k and £366k for Group and Company respectively), and the correction of loan amounts (removal of average value of RCF of £16,948k, inclusion of repayment amounts of £20,000k in both Group and Company only relating to the fixed rate loan at 3.395%, and £22,700k additionally in the Group relating to the variable rate loan at 2.441%).

Fair values

The fair values of financial assets and liabilities are not materially different from their carrying values in the financial statements. The fair value hierarchy levels are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There have been no transfers between Levels 1, 2 and 3 during the year. The main methods and assumptions used in estimating the fair values of financial instruments and investment property are detailed below.

Investment property – Level 3

Fair value is based on valuations provided by independent firms of chartered surveyors and registered appraisers, which uses the inputs set out in Note 10. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Company. The fair value hierarchy of investment property is Level 3. At 31 March 2023, the fair value of the Company's investment properties was £613.6m (2022: £665.2m).

Interest bearing loans and borrowings – Level 3

At 31 March 2023 the gross value of the Company's loans with Lloyds, SWIP and Aviva all held at amortised cost was £173.5m (2022: £137.8m). The difference between the carrying value of Company's loans and their fair value is detailed in Note 22.

Trade and other receivables/payables – Level 3

The carrying amount of all receivables and payables deemed to be due within one year are considered to reflect their fair value.

21. Events after the reporting date
Property transactions

Since the year end the Company has sold a retail unit in Cirencester at valuation for £0.7m.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

22. Alternative performance measures
NAV per share total return

An alternative measure of performance taking into account both capital returns and dividends by assuming dividends declared are reinvested at NAV at the time the shares are quoted ex-dividend, shown as a percentage change from the start of the year.

Group	Year ended 31 March 2023	Year ended 31 March 2022
Net assets (£000)	437,569	527,640
Shares in issue at 31 March (thousands)	440,850	440,850
NAV per share at the start of the year (p)	119.7	97.6
Dividends per share paid during the year (p)	5.5	5.625
NAV per share at the end of the year (p)	99.3	119.7
NAV per share total return	(12.5%)	28.4%

Share price total return

An alternative measure of performance taking into account both share price returns and dividends by assuming dividends declared are reinvested at the ex-dividend share price, shown as a percentage change from the start of the year.

Group	Year ended 31 March 2023	Year ended 31 March 2022
Share price at the start of the year (p)	101.8	91.8
Dividends per share paid during the year (p)	5.5	5.625
Share price at the end of the year (p)	89.2	101.8
Share price total return	(7.0%)	17.0%

Dividend cover

The extent to which dividends relating to the year are supported by recurring net income, indicating whether the level of dividends is sustainable.

Group	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Dividends paid relating to the year	18,185	16,830
Dividends approved relating to the year	6,062	6,062
	24,247	22,892
(Loss)/profit after tax	(65,821)	122,325
One-off costs	–	–
Net loss/(profit) on investment property	90,609	(97,073)
	24,788	25,252
Dividend cover	102.2%	110.3%

Weighted average cost of debt

The interest rate payable on bank borrowings at the year end weighted by the amount of borrowings at that rate as a proportion of total borrowings.

31 March 2023	Amount drawn £m	Interest rate	Weighting
RCF	33.5	5.830%	1.13%
Total variable rate	33.5		
SWIP £20m loan	20.0	3.935%	0.45%
SWIP £45m loan	45.0	2.987%	0.78%
Aviva			
• £35m tranche	35.0	3.020%	0.61%
• £15m tranche	15.0	3.260%	0.28%
• £25m tranche	25.0	4.100%	0.59%
Total fixed rate	140.0		
Weighted average drawn facilities	173.5		3.84%

22. Alternative performance measures continued
Weighted average cost of debt continued

31 March 2022	Amount drawn £m	Interest rate	Weighting
RCF	23.0	2.441%	0.40%
Total variable rate	23.0		
SWIP £20m loan	20.0	3.935%	0.56%
SWIP £45m loan	45.0	2.987%	0.96%
Aviva			
• £35m tranche	35.0	3.020%	0.76%
• £15m tranche	15.0	3.260%	0.35%
Total fixed rate	115.0		
Weighted average rate on drawn facilities	138.0		3.02%

Net gearing

Gross borrowings less cash (excluding rent deposits), divided by property portfolio value. This ratio indicates whether the Company is meeting its investment objective to target 25% loan-to-value in the medium-term to balance enhancing shareholder returns without facing excessive financial risk.

Group	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Gross borrowings	173,500	137,760
Cash	(6,880)	(11,624)
Cash held on behalf of tenants	1,503	1,141
Net borrowings	168,123	127,277
Investment property	613,587	665,186
Net gearing	27.4%	19.1%

Ongoing charges

A measure of the regular, recurring costs of running an investment company expressed as a percentage of average NAV, and indicates how effectively costs are controlled in comparison to other property investment companies.

Group	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Average quarterly NAV during the year	489,075	462,501
Expenses	13,099	9,812
Operating expenses of rental property rechargeable to tenants	(3,526)	(852)
	9,573	8,960
Operating expenses of rental property directly incurred	(3,530)	(3,422)
One-off costs	–	–
	6,043	5,538
OCR	1.96%	1.94%
OCR excluding direct property expenses	1.23%	1.20%

EPRA performance measures

The Company uses EPRA alternative performance measures based on its Best Practice Recommendations to supplement IFRS measures, in line with best practice in the sector. The measures defined by EPRA are designed to enhance transparency and comparability across the European real estate sector. The Board supports EPRA's drive to bring parity to the comparability and quality of information provided in this report to investors and other key stakeholders. EPRA alternative performance measures are adopted throughout this report and are considered by the Directors to be key business metrics.

22. Alternative performance measures continued

EPRA earnings per share

A measure of the Company's operating results excluding gains or losses on investment property, giving an alternative indication of performance compared to basic EPS which sets out the extent to which dividends relating to the year are supported by recurring net income.

Group	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
(Loss)/profit for the year after taxation	(65,821)	122,325
Net (profit)/loss on investment property	90,609	(97,073)
EPRA earnings	24,788	25,252
Weighted average number of shares in issue (thousands)	440,850	428,702
EPRA earnings per share (p)	5.6	5.9

EPRA NAV per share metrics

EPRA NAV metrics make adjustments to the IFRS NAV to provide stakeholders with additional information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.

EPRA Net Reinstatement Value ("NRV")

NRV assumes the Company never sells its assets and aims to represent the value required to rebuild the entity.

Group	31 March 2023 £000	31 March 2022 £000
IFRS NAV	437,569	527,640
Fair value of financial instruments	–	–
Deferred tax	–	–
EPRA NRV	437,569	527,640
Number of shares in issue (thousands)	440,850	440,850
EPRA NRV per share (p)	99.3	119.7

EPRA Net Tangible Assets ("NTA")

Assumes that the Company buys and sells assets for short-term capital gains, thereby crystallising certain deferred tax balances.

Group	31 March 2023 £000	31 March 2022 £000
IFRS NAV	437,569	527,640
Fair value of financial instruments	–	–
Deferred tax	–	–
Intangibles	–	–
EPRA NTA	437,569	527,640
Number of shares in issue (thousands)	440,850	440,850
EPRA NTA per share (p)	99.3	119.7

22. Alternative performance measures continued

EPRA Net Disposal Value ("NDV")

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.

Group	31 March 2023 £000	31 March 2022 £000
IFRS NAV	**437,569**	527,640
Fair value of fixed rate debt below book value	**7,636**	–
Deferred tax	**–**	–
EPRA NDV	**445,205**	527,640
Number of shares in issue (thousands)	**440,850**	440,850
EPRA NDV per share (p)	**101.0**	119.7

At 31 March 2023 the Company's gross fixed-rate debt included in the balance sheet at amortised cost was £173.5m (2022: £137.8m) and its fair value is considered to be £163.9m. This fair value has been calculated based on prevailing mark-to-market valuations provided by the Company's lenders, and excludes 'break' costs chargeable should the Company settle loans ahead of their contractual expiry. These mark-to-market values were not available in the prior year so the fair value in excess of book value is shown as £nil in the table above.

EPRA NIY and EPRA "topped-up" NIY

EPRA NIY represents annualised rental income based on cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the property valuation plus estimated purchaser's costs. The EPRA "topped-up" NIY is calculated by making 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). These measures offer comparability between the rent generating capacity of portfolios.

Group	31 March 2023 £000	31 March 2022 £000
Investment property	**613,587**	665,186
Allowance for estimated purchasers' costs[47]	**39,883**	43,237
Gross-up property portfolio valuation	**653,470**	708,423
Annualised cash passing rental income[48]	**39,908**	37,367
Property outgoings[49]	**(1,875)**	(1,719)
Annualised net rental income	**38,033**	35,648
Impact of expiry of current lease incentives[50]	**2,144**	3,126
Annualised net rental income on expiry of lease incentives	**40,177**	38,773
EPRA NIY	**5.8%**	5.0%
EPRA "topped-up" NIY	**6.2%**	5.5%

EPRA vacancy rate

EPRA vacancy rate is the ERV of vacant space as a percentage of the ERV of the whole property portfolio and offers insight into the additional rent-generating capacity of the portfolio.

Group	31 March 2023 £000	31 March 2022 £000
Annualised potential rental value of vacant premises	**4,743**	4,643
Annualised potential rental value for the property portfolio	**48,976**	45,580
EPRA vacancy rate	**9.7%**	10.2%

47. Assumed at 6.5% of investment property valuation.
48. Annualised cash rents at the year date.
49. Non-recoverable directly incurred operating expenses of rental property, excluding letting and rent review fees.
50. Adjustment for the expiration of lease incentives.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2023

22. Alternative performance measures continued
EPRA cost ratios

EPRA cost ratios reflect overheads and operating costs as a percentage of gross rental income and indicate how effectively costs are controlled in comparison to other property investment companies.

Group	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Directly incurred operating expenses and other expenses	9,461	8,960
Ground rent costs	(37)	(37)
EPRA costs (including direct vacancy costs)	9,424	8,923
Property void costs	(1,828)	(1,525)
EPRA costs (excluding direct vacancy costs)	7,596	7,398
Gross rental income	40,558	39,039
Ground rent costs	(37)	(37)
Rental income net of ground rent costs	40,521	39,002
EPRA cost ratio (including direct vacancy costs)	23.3%	22.9%
EPRA cost ratio (excluding direct vacancy costs)	18.7%	19.0%

EPRA LTV

An alternative measure of gearing including all payables and receivables. This ratio indicates whether the Company is complying with its investment objective to target 25% loan-to-value in the medium-term to balance enhancing shareholder returns without facing excessive financial risk.

Group	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Gross borrowings	173,500	137,760
Trade and other receivables	3,748	5,201
Trade and other payables	(7,666)	(9,783)
Deferred income	(7,421)	(7,408)
Cash	6,880	11,624
Cash held on behalf of tenants	(1,503)	(1,141)
Net borrowings	167,538	136,253
Investment property	613,587	665,186
EPRA LTV	27.3%	20.5%

22. Alternative performance measures continued

EPRA capital expenditure

Capital expenditure incurred on the Company's property portfolio during the year. This ratio offers insight into the proportion of cash deployment relating to acquisitions compared to the like-for-like portfolio.

Group	**31 March 2023 £000**	31 March 2022 £000
Acquisitions	**56,033**	65,495
Development	**3,580**	–
Like-for-like portfolio	**4,066**	3,515
Total capital expenditure	**63,679**	69,010

EPRA like-for-like rental growth

Like-for-like rental growth of the property portfolio by sector which offers an alternative view on the "run-rate" of revenues at the year end.

						31 March 2023
Group	**Industrial £000**	**Retail warehouse £000**	**Retail £000**	**Other £000**	**Office £000**	**Total £000**
Like-for-like rent	**14,377**	**8,074**	**3,405**	**5,184**	**5,597**	**36,637**
Acquired properties	**824**	**1,377**	**217**	**139**	**–**	**2,557**
Sold properties	**583**	**–**	**34**	**57**	**690**	**1,364**
	15,784	**9,451**	**3,656**	**5,380**	**6,287**	**40,558**

						31 March 2022
Group	Industrial £000	Retail warehouse £000	Retail £000	Other £000	Office £000	Total £000
Like-for-like rent	14,637	7,887	3,167	5,397	4,168	35,256
Acquired properties	218	182	538	–	1,074	2,012
Sold properties	976	100	149	546	–	1,771
	15,831	8,169	3,854	5,943	5,242	39,039