
Brightbay
Real Estate Partners

Annual Report and Financial Statements

Period ended 31 December 2023

Registration number: 010534V
TISE share code: RDIREI

Brightbay Real Estate Partners Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2023

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Company Information

Directors	N Chadwick S J Oakenfull M Parrott T M Tolley
Company secretary	T Savides
Registered number	010534V
Registered office	2 nd Floor St Mary's Court 20 Hill Street Douglas Isle of Man IM11EU
Independent Auditor	KPMG LLP 15 Canada Square London E14 5GL

Strategic Report

For the year ended 31 December 2023

Introduction

The Directors present their Strategic Report for Brightbay Real Estate Partners Limited ("Brightbay", the "Group" or the "Company") for the year ended 31 December 2023.

Brightbay was incorporated in the Isle of Man on 28 June 2004 (Registered Number: 1111908C) and was re-registered under the Isle of Man Companies Act 2006 on 3 December 2013 (Registered Number: 010534V). On 4 December 2013, the Company converted to a UK REIT and transferred its tax residence from the Isle of Man to the United Kingdom ("UK"). The Company holds its primary listing on The International Stock Exchange, Guernsey.

Brightbay's principal activity is investment in commercial property.

Business review

2023 was characterised by continued inflation and interest rate concerns with the Bank of England base rate starting the year at 3.50% and increasing to 5.25%. The result was upward pressure on required investment yields across almost all sectors which, combined with higher funding rates and caution from lenders, led to a sharp slowdown in investment activity.

Operationally the portfolio performed well with high levels of occupancy maintained and continued rental growth across the industrial sector evidenced in a number of positive lease regears and rent reviews. The Hotel portfolio delivered a particularly strong performance with room rates well ahead of expectations and revenue surpassing 2019 levels.

Disposals during the year totalled £56.4 million and focused on smaller non-core assets leaving the Company's portfolio focused primarily on the industrial and hotel sectors, both of which are experiencing strong occupational demand.

Financial results

A profit after tax for the year of £30.9 million (31 December 2022: loss after tax £24.4 million) was driven by a £22.7 million increase in the market value of the portfolio. Net operating income for the year of £35.4 million (31 December 2022: £32.1 million) was supported by a significant improvement in the performance of the Hotels portfolio and a reduction in overhead costs.

Dividends for the year of £38.0 million (31 December 2022: £96.0 million) were supported by £55.8 million generated from disposals in the UK. A net cash outflow of £13.6 million was applied toward the repayment of debt following the sale of secured properties.

The year ended with cash and cash equivalents of £34.7 million (31 December 2022: £22.1 million). Borrowings were reduced by £13.3 million during the year and higher valuations, primarily in the Hotels portfolio, have led to Group LTV decreasing to 44.2 per cent (31 December 2022: 48.3 per cent).

Net assets attributable to the Parent decreased to £287.0 million (31 December 2022: £300.4 million) reflecting a value of 75.2 pence per share (31 December 2022: 78.7 pence per share) on a basic IFRS NAV measure.

Outlook

2024 has started with cautious optimism. Interest rates appear to have peaked with markets anticipating interest rate cuts in the second half of the year which, all else being equal, should be supportive for transactional activity and pricing.

The year ahead is expected to focus on value enhancing initiatives across the portfolio including various planning processes to secure extension opportunities at a number of hotels and change of use consents across the remaining London office assets.

ESG remains central to our strategy and capital allocation decisions. We have invested in a number of new technologies across the Hotel portfolio to deliver energy and cost savings and continue to target improvements across our wider portfolio based on data collection, external evaluation and accreditation.

The Board would like to thank its Brightbay colleagues and advisers for their support during the year. The Brightbay portfolio remains well positioned in core industrial markets and mid-scale and economy hotels focused on the London and Edinburgh markets which provides confidence going into 2024.

Principal risks and uncertainties

Brightbay acknowledges that it faces a number of risks which could impact the achievement of its strategy.

While it is not possible to identify or anticipate every risk due to the changing business environment, the Group has an established and robust risk management process to manage and mitigate risk. The Group's process for identifying and managing risk is set by the Board. Risks are identified by applying a dual approach, "bottom up" at the operational level having established responsible

risk-owners throughout the business and layered with a “top down” or corporate overlay as determined by the Board. Identified risks are then assessed by rating each risk gross and net of mitigating controls. The Board considers emerging risks and uncertainties which may prevent the Group achieving its strategic objectives and the evolution of existing and emerging risks during the year. The Board reviews the risk management plan annually with design, implementation and monitoring being the responsibility of management on a day-to-day basis. Risks, both principal and emerging, are considered in terms of their impact and likelihood from both a financial and reputational perspective.

Principal risks

Although not exhaustive, the principal risks facing the Group are categorised into four broad risk types: Strategic, Financial, Operational and Legal, Regulatory and Human Resources. The nature of the Group’s risks has changed considerably, notably by the repositioning of the Group’s portfolio through disposals and change in ownership from public to private.

Emerging risks

New and emerging risks identified by management during the risk management process and discussed by the Board included cyber security, data loss and managing development projects.

Strategic risks		
Risk	Impact potential	Mitigation factors
Primary responsibility: Stephen Oakenfull (CEO)		
Significant business interruption due to terrorist event or cybercrime	<ul style="list-style-type: none"> Operational disruption and inability to access or operate properties Significant reduction in footfall Interruption to key business processes Injury, sickness or loss of life of occupier, customer, employee or contractor Loss of key supplier Data loss 	<ul style="list-style-type: none"> Appropriate insurance in place at both a corporate and property level Maintenance of a comprehensive business continuity plan Implementation and regular review of corporate cyber security systems Disaster recovery planning including frequent replication of data and offsite storage Robust security including CCTV and access controls Password protected network access with multi-factor authentication policies Employee training
Continuing uncertainty surrounding economic climate and volatility in the global markets.	<ul style="list-style-type: none"> Ongoing and heightened economic uncertainty leading to general market dislocation, increased volatility with potential impact on property valuations and delayed strategic decision making of investors, lenders and occupiers 	<ul style="list-style-type: none"> Close relationships with shareholders and lenders
Lack of engagement with ESG matters renders Group portfolio unattractive to occupiers and investors.	<ul style="list-style-type: none"> Investors and occupiers increasingly value assets with environmental credibility. Failing to ensure the business aligns with these values could impact the Group’s ability to meet financial targets 	<ul style="list-style-type: none"> Use of professional advisers Quarterly ESG reporting
Failure to formulate and execute an appropriate sustainable investment strategy and income returns. This includes but is not limited to gearing levels, diversification, incorrect timing of investment and capital recycling decisions, inadequate consideration of social and environmental impact of investment strategy, resulting in erosion of shareholder value	<ul style="list-style-type: none"> Declining asset values and total property return (income and capital), Declining total shareholder returns 	<ul style="list-style-type: none"> Regular review of investment strategy Defined asset appraisal process Monitoring of macro-economic and property market trends Flexible and agile decision making Ongoing dialogue and communication with lenders and brokers

Strategic risks		
Risk	Impact potential	Mitigation factors
Change in investment strategy of shareholder	<ul style="list-style-type: none"> Perceived loss of confidence Disruption to implementation of strategic objectives 	<ul style="list-style-type: none"> Close relationships and open dialogue maintained with shareholder

Financial risks		
Risk	Impact potential	Mitigation factors
Primary responsibility: Louis Ward (FD)		
Reduction in investor and occupier demand for UK real estate, and accelerated structural changes in consumer and commercial workforce behaviour	<ul style="list-style-type: none"> Reduced availability of financing as a result of past or future events Inability to fund property investments Increased cost of finance 	<ul style="list-style-type: none"> Mix of lenders and maturities of facilities Non-recourse debt structure Early refinancing of debt and focus on lower leverage capital structure Regular assessment of market conditions including annual external valuations and monitoring of covenants Detailed capital planning and forecasting
Significant decline in market conditions and exceptional market disruption, increasing the need for liquidity during periods of extended disruption	<ul style="list-style-type: none"> Declining valuations and earnings leading to covenant breaches, cash cure requirements and constrained liquidity Pressure on meeting shareholder business plans 	<ul style="list-style-type: none"> Ensure sufficient liquidity to meet commitments and plausible stress scenarios Reduce or temporarily suspend dividends or dispose of assets to ensure sufficient liquidity in the face of heightened market volatility Negotiation of covenant waivers and payment holidays during disruption periods Commitment to operational efficiencies and low-cost base
Adverse interest rate movements and inflationary pressures	<ul style="list-style-type: none"> Increased cost of borrowing and hedging reducing financial and operational flexibility Adverse impact on property valuations Cost inflation impacting profitability of hotel assets 	<ul style="list-style-type: none"> Interest rate hedging policy providing interest rate protection Target staggered debt maturities Early refinancing where economically viable to reduce refinancing risk
Material misappropriation of cash related to property transactions	<ul style="list-style-type: none"> Significant reputational damage Restricted access to sources of funding If significant enough could risk insolvency 	<ul style="list-style-type: none"> Segregation of duties in setting up and releasing payments Payment details entered according to transaction agreements Multiple authorisation levels to release payments Secondary confirmation of bank details
Tax authorities challenging tax planning decisions made by the Group	<ul style="list-style-type: none"> Incur tax penalties 	<ul style="list-style-type: none"> Prior to entering transactions, analysis performed and advice obtained from reputable and competent advisors

Operational risks		
Risk	Impact potential	Mitigation factors
Primary responsibility: Adrian Horsburgh (Property Director)		
Failure to anticipate changes in the property cycle or poor trading performance from operational assets	<ul style="list-style-type: none"> Reduced investment demand and declining property values Potential pressure on banking covenants 	<ul style="list-style-type: none"> Annual external valuation of properties Diversified portfolio Active asset management

		<ul style="list-style-type: none"> Regular monitoring of covenants, including scenario modelling Flexible cost base of operational assets
Reduced occupier demand for space and deferral of decisions, increased supply, or occupier defaults, impacting the ability to buy, develop, manage and sell assets	<ul style="list-style-type: none"> Reduced rental income and cash flow Loss of key tenants Increased void costs Declining property values 	<ul style="list-style-type: none"> Diverse tenant base Long leases and strong tenant covenants Open dialogue with tenants and property managers Review consumer trends Regular monitoring of tenants at risk Proactive monitoring of lease expiries and/or breaks to minimise periods of vacancy Reputable property managers and efficient rent collection procedures
Inappropriate cladding or construction materials	<ul style="list-style-type: none"> Increased devastation in case of fire 	<ul style="list-style-type: none"> Annual fire risk assessment Comprehensive review of cladding and insulation in place across portfolio and monitoring of compliance with national Health and Safety requirements
Reliance on third-party service providers (asset and property managers, offshore administrators and accountants) due to complex Group structure	<ul style="list-style-type: none"> Financial or reputational impact Operational ineffectiveness Failure to comply with regulatory requirements in offshore jurisdictions 	<ul style="list-style-type: none"> Robust service level agreements in place Appropriate due diligence and tendering process for reputable service providers Regular engagement and active management of all service providers Periodic review and formal update of services provided in line with changes in the business. Renewal of service level agreements
Inability to effectively manage development projects	<ul style="list-style-type: none"> Contractor default leading to increased costs and delays Project delays, substandard works and increased costs Not obtaining appropriate planning consent 	<ul style="list-style-type: none"> Appointment of competent Project Manager Pre-appointment evaluation of contractors Early engagement with planning consultants

Legal, regulatory and human resource risks		
Risk	Impact potential	Mitigation factors
Primary responsibility: All three Executive Directors and Company Secretary		
Health, safety and environmental risk	<ul style="list-style-type: none"> Loss or injury to employees, tenants or contractors Impact on reputation, adverse publicity or financial impact 	<ul style="list-style-type: none"> Policies in place with audit and risk assessments undertaken Environmental programme in place All properties actively managed Comprehensive tendering process for contractors Engagement with regulators and health and safety authorities to ensure that ongoing compliance is being adhered to
Stakeholder welfare	<ul style="list-style-type: none"> Disruption to operations due to key personnel risk in times of sickness 	<ul style="list-style-type: none"> Role succession and cover planning for key roles Implementation of flexible work practices
Changes in or breach of regulatory or legislative requirements	<ul style="list-style-type: none"> Financial or reputational impact Reduced financial returns as a result of increased taxes across the Group's non-REIT residual business Adverse tenant behaviour 	<ul style="list-style-type: none"> Sound governance and internal policies Appointment of appropriately qualified employees Regular review of compliance e.g. REIT legislation Proactive identification of changes in legal and regulatory environment with planned response to changes prior to implementation

		<ul style="list-style-type: none"> • Maintenance of a data protection policy to ensure compliance with GDPR Regulations • Early engagement with regulators
<p>Failure to recruit, develop and retain employees with the right skills and experience.</p>	<ul style="list-style-type: none"> • Ineffective decision-making and failure to deliver against business objectives and performance • Operational ineffectiveness 	<ul style="list-style-type: none"> • Active succession planning to mitigate key person risk • Clear employee objectives and annual performance appraisal to ensure alignment to business objectives • Competitive and benchmarked remuneration to attract and retain talent • Periodic employee engagement surveys and employee health and well-being initiatives

Date of authorisation of Issue

The strategic report was authorised for issue by the Board on 7 March 2024.

Stephen Oakenfull

Chief Executive Officer

7 March 2024

Directors' Report

For the year ended 31 December 2023

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2023.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

N Chadwick
S J Oakenfull
M Parrott
T M Tolley

Going concern

At 31 December 2023, the Group's cash balances were £34.7 million, its current net assets were £33.4 million and its capital commitments were £0.3 million. The Group meets its day to day working capital requirements from its operational cash flows and external borrowing (see note 22).

The Directors have prepared cash flow forecasts and considered the Group's principal risks and plausible downside scenarios and have determined there to be a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of these consolidated financial statements. In assessing the Group's going concern, the Directors have considered:

- the performance of the Group's RBH managed hotels;
- increased voids on commercial properties;
- increased costs of debt on refinanced loan facilities; and
- cash cure requirements as a result of earnings declines and increased interest and overhead costs

At 31 December 2023, £37.5 million of the Group's external borrowing were repayable within 12 months, maturing in December 2024. The Group has an extension option, which it expects to take, however at the date of issue of the financial statements the extension of this facility was not yet documented. Additionally, the Group has operated within 25% of its LTV loan covenant on one of its facilities during the year ended 31 December 2023. In addition, in a plausible downside scenario, the Group has forecasted a potential breach of interest cover covenant ratios during the going concern period that would require a cash cure and would be remediated by forecasted operational cash flows.

The Directors have noted that in the event the maturing loan were not extended, the Group would require additional funding from its parent companies in order to meet its liabilities as they come due. The Directors have received a letter of support and confirmation from its parent companies that financial support will be provided to the Group, such that it is able to meet its liabilities as they fall due, for a period not less than twelve months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that the parent company support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Therefore, having made enquiries and considered all events which have and which may occur post the balance sheet date, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of the consolidated financial statements. In addition, having reassessed the Group's principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Group's financial statements.

Dividends

The directors declared and paid the following interim dividends:

- 09 March 2023: £4.0 million
- 27 April 2023: £10.0 million
- 15 September 2023: £15.0 million
- 12 December 2023: £9.0 million

Political donations

During the financial period, Brightbay made no political donations (December 2022: nil).

Statement as to disclosure of information to auditor

The directors at the time when this Directors' Report is approved have confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

- that each director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

The auditor, KPMG LLP, will be proposed for reappointment for the year ended 31 December 2024.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law.

The directors are required to prepare financial statements for each financial year. They have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards as issued by the IASB;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Stephen Oakenfull

Chief Executive Officer

7 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIGHTBAY REAL ESTATE PARTNERS LIMITED

Opinion

We have audited the consolidated financial statements of Brightbay Real Estate Partners Limited ("the Company") for the year ended 31 December 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and related notes, including the accounting policies and other explanatory information.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"); and
- have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- Reading minutes of meetings of those charged with governance; and
- Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- Incorporating an element of unpredictability in our audit procedures; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS;

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our general commercial and sector experience and through discussion with directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the Company is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation and taxation legislation (including conditions to maintain UK Real Estate Investment Trust ("REIT") status in accordance with the REIT regime). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to

operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, fire safety regulations, UK Property law, the Tenancy Act and Isle of Man Companies Act 2006 and The International Stock Exchange rules. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the directors' report and strategic report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company'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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Section 80(C) of the Isle of Man Companies Act 2006. 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 any 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.

Richard Kelly (Senior Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

8 March 2024

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2023

		Year ended 31 December 2023	Year ended 31 December 2022
	Note	£m	£m
Continuing operations			
Revenue	3	45.9	44.2
Rental income		45.2	42.9
Rental expense		(4.1)	(4.4)
Net rental income	4	41.1	38.5
Other operating income		0.7	1.3
Other operating expense		-	(0.4)
Other operating income and expense	5	0.7	0.9
Administrative costs and other fees	6	(6.4)	(7.3)
Net operating income		35.4	32.1
Gain/(loss) on disposal of subsidiaries	8	0.9	(0.5)
Gain/(loss) on revaluation of investment property	9	22.7	(65.8)
Gain on disposal of investment property	9	1.7	7.2
Loss on disposal of investment property held for sale	10	(4.2)	-
Foreign exchange (loss)/gain		(0.1)	0.1
Profit/(loss) from operations		56.4	(26.9)
Finance income	11	6.1	-
Finance expense	12	(21.0)	(16.3)
Other finance income	13	-	0.1
Other finance expense	13	(0.6)	(0.2)
Change in fair value of derivative financial instruments	24	(8.7)	14.1
		32.2	(29.2)
Impairment of loan to continuing joint venture interest	14	-	(0.4)
Share of post-tax profit from associate	15	-	2.1
Profit/(loss) before tax		32.2	(27.5)
Taxation	16	1.3	-
Profit/(loss) for the year attributable to continuing operations		33.5	(27.5)
(Loss)/profit from discontinued operation	3	(2.6)	3.1
Profit/(loss) for the year		30.9	(24.4)
Profit/(loss) attributable to:			
Equity holders of the Parent			
Continuing operations		26.0	(31.5)
Discontinued operation		(2.6)	3.1
		23.4	(28.4)
Non-controlling interests			
Continuing operations	17	7.5	4.0
		7.5	4.0
		30.9	(24.4)
Earnings per share			
Weighted average number of shares (millions)	18	381.5	381.5
Diluted weighted average number of shares (millions)	18	381.5	381.5
Earnings per share from continuing operations			
Basic earnings per share (pence)	18	6.8	(8.3)
Diluted earnings per share (pence)	18	6.8	(8.3)
Total earnings per share			
Basic earnings per share (pence)	18	6.1	(7.5)
Diluted earnings per share (pence)	18	6.1	(7.5)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Profit/(loss) for the year	30.9	(24.4)
Other comprehensive income/(loss)		
Items that may be transferred to the income statement		
Other comprehensive loss from discontinued operation	-	(0.2)
Total other comprehensive income/(loss), net of tax effects	-	(0.2)
Total comprehensive income/(loss) for the year	30.9	(24.6)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Parent	23.4	(28.6)
Non-controlling interests	17 7.5	4.0
	30.9	(24.6)
Total comprehensive income/(loss) attributable to equity holders of the Parent arising from:		
Continuing operations	25.9	(31.5)
Discontinued operation	(2.5)	2.9
	23.4	(28.6)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2023

	Note	31 December 2023 £m	31 December 2022 £m
Non-current assets			
Investment property	9	567.8	600.0
Investment in associate	15	8.0	8.8
Other non-current assets	19	1.3	1.5
Derivative financial instruments	24	3.8	13.7
Other receivables	20	6.9	8.0
Total non-current assets		587.8	632.0
Current assets			
Derivative financial instruments	25	1.2	-
Trade and other receivables	20	21.0	15.0
Cash and cash equivalents	21	34.7	22.1
		56.9	37.1
Non-current assets	10	40.9	33.4
Total current assets		97.8	70.5
Total assets		685.6	702.5
Non-current liabilities			
Borrowings	22	(265.6)	(315.8)
Lease liabilities	23	(35.0)	(34.9)
Deferred tax	25	-	-
Total non-current liabilities		(300.6)	(350.7)
Current liabilities			
Borrowings	22	(37.2)	(0.3)
Lease liabilities	23	(0.2)	(0.1)
Trade and other payables	26	(14.5)	(15.7)
Provisions	27	(7.6)	-
Current tax		(4.6)	(3.6)
Total current liabilities		(64.1)	(19.7)
Total liabilities		(364.7)	(370.4)
Net assets		320.9	332.1
Equity			
Share capital	28	152.6	152.6
Share premium	28	534.9	534.9
Other components of equity		(400.5)	(387.1)
Total attributable to equity holders of the Parent		287.0	300.4
Non-controlling interests	17	33.9	31.7
Total equity		320.9	332.1

The accompanying notes on pages 18 to 58 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 7 March 2024 and were signed on its behalf by:

Stephen Oakenfull
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Note	Share capital £m	Share premium £m	Retained losses £m	Share based payment reserve £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2023		152.6	534.9	(401.4)	-	14.3	300.4	31.7	332.1
Profit for the year		-	-	23.4	-	-	23.4	7.5	30.9
Total comprehensive income for the year		-	-	23.4	-	-	23.4	7.5	30.9
Foreign currency translation reserve released to the profit and loss		-	-	-	-	0.5	0.5	-	0.5
		-	-	-	-	0.5	0.5	-	0.5
Transactions with owners									
Dividends paid		-	-	(38.0)	-	-	(38.0)	(3.5)	(41.5)
Share-based payments		-	-	-	0.7	-	0.7	-	0.7
		-	-	(38.0)	0.7	-	(37.3)	(3.5)	(40.8)
Changes in ownership interests in subsidiaries									
Disposal of non-controlling interests with loss of control	17	-	-	-	-	-	-	(1.8)	(1.8)
		-	-	-	-	-	-	(1.8)	(1.8)
Balance at 31 December 2023		152.6	534.9	(416.0)	0.7	14.8	287.0	33.9	320.9

The accompanying notes form an integral part of these financial statements.

Dividends

The following dividends were recognised and paid during the year:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Interim dividend of 1 pence (2022: 3 pence) per qualifying ordinary share	4.0	11.0
Interim dividend of 3 pence (2022: 1 pence) per qualifying ordinary share	10.0	4.0
Interim dividend of 4 pence (2022: 14 pence) per qualifying ordinary share	15.0	53.0
Interim dividend of 2 pence (2022: 6 pence) per qualifying ordinary share	9.0	22.5
Interim dividend (2022: 1 pence) per qualifying ordinary share	-	5.5
Total dividends	38.0	96.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2022

	Note	Share capital £m	Share premium £m	Retained losses £m	Foreign currency translation reserve £m	Total attributable to equity holders of the Parent £m	Non- controlling interests £m	Total equity £m
Balance at 1 January 2022		152.6	534.9	(275.8)	14.5	426.2	40.7	466.9
Profit for the year		-	-	(28.4)	-	(28.4)	4.0	(24.4)
Items that may be transferred to the income statement								
Foreign currency translation on subsidiary foreign operations		-	-	-	(0.2)	(0.2)	-	(0.2)
Total comprehensive income for the year		-	-	(28.4)	(0.2)	(28.6)	4.0	(24.6)
Transactions with owners								
Dividends paid		-	-	(96.0)	-	(96.0)	(7.2)	(103.2)
		-	-	(96.0)	-	(96.0)	(7.2)	(103.2)
Changes in ownership interests in subsidiaries								
Disposal of non-controlling interests with loss of control	17	-	-	(1.2)	-	(1.2)	(5.8)	(7.0)
Balance at 31 December 2022		152.6	534.9	(401.4)	14.3	300.4	31.7	332.1

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

		Year ended 31 December 2023	Year ended 31 December 2022
	Note	£m	£m
Continuing operations			
Cash generated from operations	30	32.9	30.6
Finance income		6.1	0.1
Finance expense and head lease payments		(22.0)	(16.5)
Net cash inflow from continuing operating activities		17.0	14.2
Discontinued operation			
Net cash outflow from discontinued operating activities		(0.2)	(0.2)
Net cash inflow from discontinued operating activities		(0.2)	(0.2)
Net cash inflow from operating activities		16.8	14.0
Cash flows from investing activities			
Disposal of subsidiaries		15.0	65.2
Sale of investment property		40.8	23.8
Development of investment property		(1.9)	(1.5)
Acquisition of property, plant and equipment		(0.1)	(0.5)
Distributions from associate	15	0.8	0.2
Net cash inflow from continuing investing activities		54.6	87.2
Discontinued operation			
Net cash inflow from discontinued investing activities		-	4.5
Net cash inflow from discontinued investing activities		-	4.5
Net cash inflow from investing activities		54.6	91.7
Cash flows from financing activities			
Repayment of borrowings	22	(13.6)	(21.7)
Other finance expense		(1.2)	-
Settlement of derivative financial instruments		-	0.2
Dividends paid to equity holders		(38.0)	(96.0)
Dividends paid to non-controlling interests		(3.5)	(0.7)
Shareholder loan repayment to non-controlling interests		(2.5)	(1.5)
Net cash outflow from continuing financing activities		(58.8)	(119.7)
Discontinued operation			
Net cash outflow from discontinued financing activities		-	(1.0)
Net cash outflow from discontinued financing activities		-	(1.0)
Net cash outflow from financing activities		(58.8)	(120.7)
Net increase/(decrease) in cash and cash equivalents		12.6	(15.0)
Effect of exchange rate fluctuations on cash and cash equivalents		-	0.1
Cash and cash equivalents at 1 January 2023		22.1	37.0
Cash and cash equivalents at 31 December 2023	21	34.7	22.1

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Brightbay Real Estate Partners was incorporated in the Isle of Man on 28 June 2004 (Registered Number: 1111908C) and was re-registered under the Isle of Man Companies Act 2006 on 3 December 2013 (Registered Number: 010534V).

On 4 December 2013, the Company converted to a UK REIT and transferred its tax residence from the Isle of Man to the United Kingdom ("UK").

The Company holds a primary listing on The International Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The Group financial statements for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company financial statements have been prepared in accordance with IFRS as issued by the IASB and with those parts of the Isle of Man Companies Act 2006 applicable to companies reporting under IFRS.

The relevant new standards, amendments and interpretations that have been adopted, as applicable to the Group and the Company, are as follows:

- IFRS 17, 'Insurance contracts' as amended in December 2021;
- Narrow scope amendments to IAS 1 and Practice statement 2, disclosure of accounting policies;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: definition of accounting estimates;
- Amendments to IAS 12, 'Income tax', deferred tax related to assets and liabilities arising from a single transaction; and
- Amendments to IAS 12, 'Income tax', international tax reform pillar two model rules

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Accounting standards, amendments and interpretations not yet adopted

Disclosed in the table below are the relevant new standards, amendments and interpretations that have been issued by the IASB but are not yet effective or have not been early adopted. The Group is considering the impact of these amendments on the Group's financial statements and the impact is set out below.

International Financial Reporting Standards

	Effective annual periods beginning on or after:
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities and on non-current liabilities with covenants	1 January 2024
Amendment to IFRS 16, 'Leases' Lease liability in a sale and leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7, supplier finance arrangements	1 January 2024
Amendments to IAS 21 – Lack of exchangeability	1 January 2025

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments to IFRS 16, 'Leases' on lease liability in a sale and leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction.

Amendment to IAS 7 and IFRS 7, supplier finance arrangements

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

Amendments to IAS 21 – Lack of exchangeability

These amendments add requirements to help assess whether a foreign currency is exchangeable into another currency, and the spot exchange rate to use when it is not.

The impact of the above amendments is expected to be immaterial.

2.2 Basis of preparation

The financial statements are presented in Great British Pounds, which is the functional currency of the Company and the presentational currency of the Group, and rounded to the nearest hundred thousand pounds. They are prepared using the historical cost basis except for investment property, certain assets held for sale and derivative financial instruments, all of which are carried at fair value.

Going concern

At 31 December 2023, the Group's cash balances were £34.7 million, its current net assets were £33.4 million and its capital commitments were £0.3 million. The Group meets its day to day working capital requirements from its operational cash flows and external borrowing (see note 22).

The Directors have prepared cash flow forecasts and considered the Group's principal risks and plausible downside scenarios and have determined there to be a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of these consolidated financial statements. In assessing the Group's going concern, the Directors have considered:

- the performance of the Group's RBH managed hotels;
- increased voids on commercial properties;
- increased costs of debt on refinanced loan facilities; and
- cash cure requirements as a result of earnings declines and increased interest and overhead costs

At 31 December 2023, £37.5 million of the Group's external borrowing were repayable within 12 months, maturing in December 2024. The Group has an extension option, which it expects to take, however at the date of issue of the financial statements the extension of this facility was not yet documented. Additionally, the Group has operated within 25% of its LTV loan covenant on one of its facilities during the year ended 31 December 2023. In addition, in a plausible downside scenario, the Group has forecasted a potential breach of interest cover covenant ratios during the going concern period that would require a cash cure and would be remediated by forecasted operational cash flows.

The Directors have noted that in the event the maturing loan were not extended, the Group would require additional funding from its parent companies in order to meet its liabilities as they come due. The Directors have received a letter of support and confirmation from its parent companies that financial support will be provided to the Group, such that it is able to meet its liabilities as they fall due, for a period not less than twelve months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that the parent company support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Therefore, having made enquiries and considered all events which have and which may occur post the balance sheet date, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of the consolidated financial statements. In addition, having reassessed the Group's principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Group's financial statements.

2.3 Key judgements and estimates

The preparation of the financial statements in conformity with IFRS requires the use of judgements and estimates that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the year. Although these estimates are based on the Directors' best knowledge of the amount, event or actions, actual results may differ materially from those estimates.

The principal areas where such judgements and estimates have been made are detailed below:

Judgements

Classification of UK Hotels as investment property

The UK Hotels are held for capital appreciation and to earn rental income. Apart from five Travelodge branded hotels, the hotels have been let to wholly owned subsidiaries of RBH Hotel Group Limited (collectively "RBH"), on lease terms which are subject to annual review. At each review, the revised rent is set with reference to the forecast EBITDA of each hotel. RBH runs the hotels' operating business and is therefore exposed to fluctuations in the underlying trading performance of each hotel under management. RBH is responsible for the key decision making of the business operations and the day-to-day upkeep of the properties. The Group is not involved with the operation of the hotel management business and there are limited transactions between Brightbay and RBH. As a result, the hotels are classified as investment property in accordance with IAS 40.

The Group cumulatively holds a 27.4 per cent (31 December 2022: 27.4 per cent) shareholding in RBH. Having considered the guidance in IFRS 10 'Consolidated Financial Statements' ("IFRS 10"), the respective rights of each of the shareholders in RBH and the relative size of the Group's shareholding, the Directors have determined that the Group has the ability to exercise significant influence over, but does not control, RBH. The investment in RBH has therefore been classified as an associate.

Estimates

Investment property valuation

The Group uses valuations determined by independent valuers in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") as the fair value of its investment property. The valuations are based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate market yields. The valuers make reference to market evidence of transaction prices for similar properties. Further details with respect to assumptions and estimation uncertainties are provided in Note 9.

Derivatives

In estimating the fair value of derivatives, the Group incorporates debit and credit valuation adjustments to appropriately reflect both its own non-performance risk and respective counterparty's non-performance risk in the fair value measurements which are subjective in nature.

2.4 Accounting policies

Basis of consolidation

Investment in subsidiaries

A subsidiary is an investee controlled by the Group. The Group controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated in the Group's financial statements from the date on which control commences until the date that control ceases. The Group reassesses whether it controls a subsidiary when facts and circumstances indicate that there are changes to one or more elements of control.

The Group may elect to apply the optional concentration test in IFRS 3 to assess whether an acquisition must be accounted for as a business combination. When substantially all of the fair value of the gross assets acquired is concentrated in a single asset (or a group of similar assets), the transaction is accounted for as an asset acquisition. The consideration paid is allocated to the identifiable assets and liabilities acquired on the basis of their relative fair values at the acquisition date. Where an acquisition does not satisfy the concentration test and the acquired set of activities meets the definition of a business, the Group applies the acquisition method of accounting, under which the consideration transferred is measured at fair value, and acquisition related costs are recognised in the consolidated income statement as incurred. Any excess in the purchase price of business combinations over the Group's share of the fair value of the assets, liabilities and contingent liabilities acquired is recognised as goodwill while any discount received is credited immediately to the consolidated income statement. If it is determined that an acquisition does not constitute a business combination, the transaction is accounted for as an asset acquisition and the relevant IFRSs are applied in the recognition of a group of assets and liabilities. No goodwill arises on initial recognition but any premium paid or discount received is allocated to the individual identifiable assets and liabilities based on their relative fair values.

The Group recognises non-controlling interests on the basis of their proportionate share in the subsidiary's identifiable net assets. Non-controlling interests are presented separately from the equity of the owners of the Parent on the balance sheet. Profit or loss and total comprehensive income or expense for the year attributable to non-controlling interests are presented separately in the income statement and the statement of comprehensive income.

If the Group loses control of a subsidiary, the Group:

- derecognises the assets (including any goodwill) and liabilities of the former subsidiary at their carrying amounts at the date control is lost;
- derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date control is lost (including amounts of other comprehensive income attributable to non-controlling interests);
- recognises the fair value of any consideration received;

- reclassifies to profit or loss, or transfers directly to retained earnings, amounts recognised in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Parent had directly disposed of the related assets or liabilities;
- recognises any investment retained in the former subsidiary at its fair value at the date when control is lost; and
- recognises any resulting difference of the above items as a gain or loss in the income statement.

The Group subsequently accounts for any investment retained in the former subsidiary in accordance with IFRS 9, or when appropriate, in accordance with IAS 28. For a change in the Group's interest in a subsidiary that does not result in a loss of control, the Group adjusts the carrying amounts of the controlling and non-controlling interest to reflect the changes in their relative interests. Any difference between the value of the non-controlling interest acquired or disposed of and the fair value of the consideration is recognised directly in equity and attributed to the equity holders of the Parent.

Transactions eliminated on consolidation

Intra-group balances, transactions, any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Group financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investment in associates and joint ventures

Associates are entities over whose financial and operating policies the Group has the ability to exercise significant influence but not control and which are neither subsidiaries nor joint arrangements. The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's contractual rights to the assets and obligations with respect to the liabilities. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms and other facts and circumstances specific to each transaction.

Investments in associates and joint ventures are initially recorded at cost and subsequently increased or decreased each year by the Group's share of the post-acquisition net profit or loss and other movements recognised in other comprehensive income or directly in equity. The Group's share of the post-tax results of the associate or joint venture reflects the Group's proportionate interest in the relevant undertaking.

Goodwill arising on the acquisition of an associate or joint venture is included in the carrying amount of the investment. When the Group's share of losses in an associate or joint venture has reduced the carrying amount to zero, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations to make payments on behalf of the associate or joint venture.

As goodwill forms part of the carrying amount of the net investment, it is not recognised separately and it is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset where there is objective evidence that the investment may be impaired. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate or joint venture increases.

Capital contributions result from the non-reciprocal transfer of resources to an associate or joint venture without a corresponding increase in the Group's equity interest. Capital contributions are also accounted for as an increase in the Group's net investment and are subject to impairment.

Unrealised gains and losses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in those entities.

Where the Group obtains significant influence or joint control over an investment that was previously accounted for as a financial instrument under IFRS 9, the Group's previously held interest is remeasured to fair value through profit or loss. The deemed cost of the associate or joint venture is the fair value of the existing investment plus the fair value of any consideration given to achieve significant influence or joint control.

When the Group ceases to have significant influence or joint control, it is accounted for as a disposal of the entire interest under the equity method, with a resulting gain or loss being recognised in the income statement. Any retained interest in the investment at the date when significant influence or joint control is lost is recognised at fair value on initial recognition of a financial asset or, when appropriate, treated as the deemed cost on initial recognition of an investment in an associate.

Any gain or loss on the dilution of an interest in an equity accounted investee is calculated as the difference between the carrying amounts of the investment in the equity accounted investee, immediately before and after the transaction that resulted in the dilution and is recognised in the income statement.

Currency translation

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the date that the values are determined.

Foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the foreign currency translation reserve. Cumulative exchange differences are subsequently released to the income statement upon disposal or partial disposal. On consolidation, the balance sheets of foreign subsidiaries are translated at the closing rate and the income statement and statement of comprehensive income are translated at the transaction date rates or at an average rate for the year where this is a reasonable approximation.

Revenue recognition

Rental income, including fixed stepped rent, is recognised in the income statement on a straight-line basis over the lease term. Tenant lease incentives, including rent-free periods granted and cash contributions paid, which are an integral part of securing leases, are amortised as a reduction of rental income over the lease term. Surrender premiums that are paid by the Group to tenants to vacate a property are also treated as lease incentives if the surrender results in an enhanced future rental income stream. Licence fee income from customers of the London Serviced Offices portfolio is recognised on a basis consistent with rental income from other tenants of the Group, albeit shorter term in nature. Room-hire income of this portfolio is recognised at the fair value of the consideration receivable once the room has been availed of.

Contingent rents are recognised as they arise. Rent reviews are recognised as income or as a reduction thereof from the date it is probable that the revised terms will be agreed. Surrender premiums paid by the tenant to terminate a lease early are recognised immediately in the income statement.

Service charge income is recorded as income over time in the year in which the services are rendered. Service charge is recognised as revenue over time because the tenants benefit from the services as soon as they are rendered by the Group. The actual service provided during each reporting period is determined using cost incurred as the input method.

Other operating income includes service fees, management fees and other general property related income. Service fee income is recognised when the services have been rendered by the Group, the associated costs and recharge margin on those costs can be measured reliably and with reference to the stage of completion of the service. Management fees receivable from joint ventures are recognised in other operating income during the year in which the services are rendered and specific performance fees are recognised if the performance targets are satisfied over the investment period on disposal of property interests. All sources of other operating income are only recognised when it is probable that the economic benefits will flow to the Group.

Finance income is earned on cash invested is recognised using the effective interest rate method.

Employee benefits and share-based payments

Employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period during which employees have provided services. Bonuses are recognised to the extent that a legal or constructive obligation to employees can be measured reliably.

Share-based incentives are provided to certain employees for services rendered. The share-based payments are intended to be equity-settled by SOF-12 Cambridge Holdco Limited. The fair value of each award granted is calculated at the grant date. The fair value is not subsequently re-measured and is recognised in the share-based payment reserve in equity on a graded vesting basis over the vesting period as adjusted for the estimate of the awards that will eventually vest at each reporting date. The corresponding compensation cost is recognised as an administrative expense of the Company over the vesting period.

Income taxes

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income.

Current tax is based on taxable profit or loss for the period and is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income that are not taxable or expenses that are not tax deductible.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their relative tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement, using tax rates enacted or substantively enacted at the reporting date.

The following temporary differences are not provided for: those arising from goodwill not deductible for tax purposes; those arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and those relating to investments in subsidiaries and joint ventures where the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are provided only to the extent that there are not sufficient tax losses to shield the charge.

Investment property

In accordance with IAS 40, paragraph 14, judgement may be required to determine whether a property qualifies as investment property. The Group has developed criteria so that it can exercise judgement consistently in recognising investment property, namely: property held for long term capital appreciation; property owned (or held under long term leases) and leased out under one or more operating leases; and property that is being developed for future use as investment property. The recognition and classification of property as investment property principally assumes that the Group:

- does not retain significant exposure to the variation in cash flows arising from the underlying operations of tenants; and
- will recover the carrying value through continuing rental income streams and longer term capital appreciation.

Investment properties are initially recognised at cost, including directly attributable transaction costs, and subsequently measured at fair value. The portfolios are valued on an annual basis by external, independent and professionally qualified valuers, having recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which the property could be exchanged on a highest and best use basis between a willing buyer and seller in an arm's length transaction.

The valuations are determined by considering comparable and timely market transactions for sales and lettings and having regard for the current leases in place. In the case of lettings, this includes consideration of the aggregate net annual market rents achievable for the property and associated costs. A yield which reflects the risks inherent in the future cash flows is applied to the net annual rents to arrive at the property valuation.

The valuations of investment property are based upon estimates and subjective judgements that may vary materially from the actual values and sales prices that may be realised by the Group upon ultimate disposal. The critical assumptions made in determining the valuations have been included in Note 9 to the financial statements.

In determining fair value, the market value of the property as determined by the independent valuers is reduced by the carrying amount of tenant lease incentives and increased by the carrying amount of head leases or ROU assets.

Gains or losses arising from changes in the fair value of investment property are included in the income statement in the year in which they arise.

Subsequent expenditure is capitalised to investment property when the expenditure incurred enhances the future economic benefits associated with the property, such as enhanced future rental income, capital appreciation or both. Contributions to tenant refurbishments under lease arrangements are treated as tenant lease incentives and amortised against rental income over the term of the lease.

As the fair value model is applied, property under construction or redevelopment for future use as investment property continues to be measured at fair value unless the fair value cannot be measured reliably and the property is measured at cost.

Acquisitions and disposals of investment property are recognised when control of the property has transferred to, or from, the Group. This will ordinarily occur on completion when performance obligations are satisfied or on unconditional exchange of contracts when completion is imminent at the reporting date. The profit or loss on disposal of investment property is recognised separately in the income statement and is the difference between the net sales proceeds and the opening fair value asset plus any capital expenditure during the period to disposal.

Property will be transferred to or from investment property when, and only when, there is a change in use and there is substantive evidence to support that change in use. A property ceases to be recognised as investment property and is transferred at its fair value to property held for sale when it meets the criteria of IFRS 5. Under IFRS 5 the asset must be available for immediate sale in

its present condition subject only to the terms that are usual and customary for sales of such assets and its sale must be highly probable. The criteria for a sale being highly probably per IFRS 5 are as follows:

- management is committed to a plan to sell;
- the asset is available for immediate sale;
- an active programme to locate a buyer has been initiated;
- the sale is highly probable (within 12 months of classification as held for sale unless circumstances are beyond the control of the Group);
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

Leases

The Group assesses whether a contract is or contains a lease at inception. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset. The Group recognises a right-of-use ("ROU") asset and the lease liability at the commencement date of the lease.

Lease liabilities are measured at the present value of future lease payments, which include fixed payments and variable payments that depend on an index. Each lease payment is allocated between the liability and finance expense. The lease payments are discounted using the incremental rate of borrowing specific to each lease. The finance cost is charged to finance expense in the income statement over the lease term so as to produce a constant rate of interest on the outstanding liability over the lease term. Total lease payments are presented as cash flows from operating activities.

The ROU assets are initially measured at cost based on the amount of the initial measurement of the lease liability, as adjusted for any prepayments and lease incentives received.

After initial measurement, where ROU assets relate to land or property that meet the definition of investment property under IAS 40, the ROU assets are subsequently accounted for as investment property and carried at fair value (see investment property accounting policy). The ROU assets are presented within investment property (including investment property held for sale) and the related lease obligations are presented as separate line items, 'lease liabilities', on the balance sheet.

Other ROU assets are depreciated over the shorter of the lease term or the useful life of the underlying asset. These ROU assets are subject to impairment review, should indicators of impairment exist. Other ROU assets are presented within property, plant and equipment and the related lease obligations are presented as separate line items, 'lease liabilities' on the balance sheet as above. The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to twelve months, or for low value leases.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Depreciation is calculated to write off the cost of items less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Property, plant and equipment are depreciated over a period of between two to five years.

Financial instruments

Recognition, classification and measurement

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument in accordance with IFRS 9. Financial assets are derecognised when the contractual rights to the cash flows from those assets expire or when the assets are transferred to another party without retaining control or substantially all the risks and rewards of ownership. Regular way purchases and sales of financial assets are accounted for at trade date. Financial liabilities are derecognised when the obligations specified in the contract expire.

Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus, for those instruments not designated at fair value through profit or loss, any directly attributable transaction costs. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group does not hold financial assets that meet the criteria of fair value through other comprehensive income and therefore, assets that do not meet the definition of amortised cost are measured at fair value through profit or loss. All non-derivative financial liabilities are measured at amortised cost as the Group has not opted to measure any liabilities at fair value through profit or loss. Gains or losses arising from the change in fair value are recognised in the year in which they occur. Non-derivative financial instruments comprise loans to joint ventures, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and

other payables which the Group holds with the objective to collect or settle the contractual cash flows. Loan receivables and payables are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments

Derivative financial instruments are held to manage interest rate risk exposure. Derivatives are recognised initially at fair value on the date of the contract; any attributable transaction costs are recognised in the statement of comprehensive income as incurred. Derivatives are subsequently re-measured to fair value at each reporting date, and changes therein are accounted for in the income statement, presented under change in fair value of derivative financial instruments. The Group does not apply hedge accounting in accordance with IFRS 9.

Impairment of financial assets (Group)

The Group assesses the expected credit losses associated with its financial assets carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Financial assets are specifically impaired when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible. For accounts receivable, the Group applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Expected loss rates are considered with reference to the historic payment profiles of tenants and credit losses incurred over a corresponding period. The resulting loss rates are then adjusted to reflect current and forward-looking information on macroeconomic factors: namely economic, regulatory, technological and environmental factors; external market indicators; and the current tenant base. Separately, the Group applies a 25 per cent provision against all balances (excluding VAT) in excess of 120 days-past-due in line with the Group's stated bad debt policy. Where there is a material difference in the resulting provision requirement relative to total expected credit losses, the Group will adjust in line with the latter.

Impairment losses and reversals are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with financial institutions and short-term call deposits. Cash and cash equivalents are recognised at fair value and have maturities of less than three months. Cash deposits that are restricted until the fulfilment of certain conditions are classified as other receivables.

Non-current assets and disposal groups held for sale

A non-current asset or a disposal group (comprising assets and liabilities) is classified as held for sale if it is expected that the carrying value will be recovered by the Group principally through sale rather than through continuing use and the sale is highly probable. The asset or disposal group must be available for immediate sale, be actively marketed at a reasonable approximation to fair value and the sale must have the appropriate level of management commitment. The sale may complete beyond a period of one year from classification so long as there is sufficient evidence of a firm commitment from both parties and the circumstances of the delay are beyond the Group's control.

Where there is commitment to a sale plan involving the loss of control of a subsidiary, the loss of joint control of a joint venture or significant influence over a joint venture and the criteria set out above are met, the Group classifies all the assets and liabilities of that subsidiary or the equity accounted investment in the joint venture or associate as held for sale. This classification is appropriate regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Where significant influence over an associate will not be lost, only that portion of the investment for which there is a commitment to sell shall be reclassified as held for sale.

On initial classification as held for sale, non-current assets and disposal groups are ordinarily measured at the lower of the previous carrying amount and fair value less costs to sell, with any adjustments recognised in the income statement and subsequently re-measured at each reporting date. Certain assets such as financial assets within the scope of IFRS 9 and investment property in the scope of IAS 40 continue to be measured in accordance with those standards.

Gains and losses on remeasurement and impairment losses subsequent to classification as held for sale are presented within continuing operations in the income statement, unless they meet the definition of a discontinued operation. Non-current assets held for sale are presented separately under current assets on the balance sheet. Comparatives are not reclassified.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The post-tax results and other comprehensive income of discontinued operations are presented separately in the income statement and the statement of other

comprehensive income respectively and detailed analysis of the revenue, expense and pre-tax profits of the discontinued operation is disclosed in the notes to the financial statements. Comparative income statements, statements of comprehensive income, statements of cash flows and related notes are re-presented for comparability and in line with the requirements of IFRS 5.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Any difference between the transaction price and the deemed fair value of the borrowing is treated as a gain or loss in the income statement when the determination of fair value is based on observable inputs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost. Any differences between cost and the redemption value as a result of transaction costs incurred or fair value adjustments are recognised in the income statement over the contractual term of the borrowings on an effective interest rate basis.

A financial liability is derecognised when it is extinguished. This may happen when:

- full repayment is made to the lender;
- the borrower is legally released from primary responsibility for the financial liability; or
- where there is an exchange of debt instruments with substantially different terms or a substantial modification to the existing terms of a debt instrument.

In the event of a substantial modification of terms, any difference between the carrying amount of the original liability and the consideration paid is recognised in the income statement. The consideration paid includes non-financial assets transferred and the assumption of liabilities, including the new modified financial liability. The modified borrowing is recognised initially at fair value and subsequently carried at amortised cost under the effective interest rate method. Any costs or fees incurred are recognised as part of the gain or loss on extinguishment.

Where existing borrowings are exchanged for new or amended borrowings and the terms are not substantially different, the total contractual cash flows of the modified borrowings are discounted at the effective interest rate of the original loan in line with IFRS 9 and any material difference is recognised immediately as a gain or loss in the income statement. The adjustment to the carrying value of the modified loan is subsequently reversed through the income statement as a finance expense to maturity. Any costs or fees incurred as a result of the modification are adjusted against the carrying value and amortised over the remaining term.

Ongoing finance costs and debt servicing payments are recognised in the income statement on an accruals basis, using the effective interest rate method.

Provisions, capital commitments and contingent liabilities

A provision is recognised if, as a result of a past event, the Group or Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected cash flows to present value using an appropriate discount rate that reflects the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, an obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Capital commitments are disclosed when the Group or Company has a contractual future obligation to a third party which has not been provided for at the balance sheet date.

Share capital

Ordinary share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, net of tax, are shown as a deduction from any recognised share premium.

Where the Company's own equity instruments are purchased as the result of a share buy-back, the consideration paid by the Group, including any directly attributable incremental costs net of tax, is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or reissued.

Where the Company performs a share consolidation, the number of shares is reduced for the current year and re-presented for the prior years.

Dividends

Dividends to shareholders are recognised when they become legally payable. In the case of interim dividends, this is when the dividends are declared by the Board.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Where the Company performs a share consolidation the weighted average number of shares is reduced without any consideration for time apportionment so that the effect of the share consolidation on EPS is constant for current and prior year comparatives, together with subsequent years.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and in respect of which it may incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker to inform decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available as disclosed in Note 3 below.

Net asset value per share

The Group presents net asset value per share to fulfil listing requirements with The International Stock Exchange. Net asset value per share is calculated by dividing the net assets of the Group by weighted average number of ordinary shares outstanding during the year.

3. SEGMENTAL REPORTING

As required by IFRS 8, the information provided to the Board, which is the Chief Operating Decision Maker, has been classified into operating segments. The segments are as follows:

UK Commercial:	The Group's UK portfolio of Greater London and regional offices and logistics & distribution centres;
UK Hotels:	The Group's UK hotel portfolio comprising 17 predominantly limited-service branded hotels: <ul style="list-style-type: none">• five Travelodge branded and externally managed hotels; and• 12 RBH managed hotels, of which nine are branded Holiday Inn Express, two Hilton and one Crowne Plaza. The Group's hotel interests also include a 27.4 per cent investment in RBH. RBH is an independent hotel management company engaged in developing and managing a diverse portfolio of hotels in partnership with reputable international hotel brands;
Europe: (Discontinued operation)	The Group's residual portfolio in Germany, which was fully disposed of by August 2022. Since 1 March 2019, this segment met the criteria of IFRS 5 to be classified as a Discontinued operation ("Dis Op") and is therefore presented as a single line item on the consolidated income statement. Detailed analysis of the post-tax results from the Dis Op is presented in the segmental income statements; and
Other:	The Group's holding and management companies that carry out the head office and centralised asset management activities of the Group.

Management information, as presented to the Chief Operating Decision Maker, is prepared on a proportionately consolidated basis. Segmental reporting is therefore reported in line with management information, with the Group's share of joint ventures presented line-by-line. Joint venture adjustments are disclosed to reconcile segmental performance and position to the consolidated financial statements.

3. SEGMENTAL REPORTING (CONTINUED)

Segmental income statement for the year ended 31 December 2023	UK		Europe		Total	Joint venture elimination	Group total	Europe Discontinued Operations adjustment	IFRS Total
	Commercial	Hotels	Discontinued Operations	Other					
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations									
Revenue									
Rental income	16.6	27.7	-	-	44.3	(0.5)	43.8	-	43.8
Service charge income	1.1	0.3	-	-	1.4	-	1.4	-	1.4
Other operating income	0.3	0.3	-	0.1	0.7	-	0.7	-	0.7
Total revenue	18.0	28.3	-	0.1	46.4	(0.5)	45.9	-	45.9
Net rental income	13.8	27.6	-	0.1	41.5	(0.4)	41.1	-	41.1
Other operating income and expense	0.3	0.3	-	0.1	0.7	-	0.7	-	0.7
Administrative costs and other fees	(0.3)	(0.3)	(0.2)	(5.8)	(6.6)	-	(6.6)	0.2	(6.4)
Net operating income/(expense)	13.8	27.6	(0.2)	(5.6)	35.6	(0.4)	35.2	0.2	35.4
(Loss)/gain on revaluation of investment property	(2.2)	24.9	-	-	22.7	-	22.7	-	22.7
Gain on disposal of investment property	0.9	-	-	-	0.9	0.8	1.7	-	1.7
Gain/(loss) on disposal of investment property held for sale	0.4	(4.6)	-	-	(4.2)	-	(4.2)	-	(4.2)
Gain on disposal of subsidiaries (Note 8)	-	0.9	-	-	0.9	-	0.9	-	0.9
Other expenses									
Foreign exchange loss	-	-	(0.5)	(0.1)	(0.6)	-	(0.6)	0.5	(0.1)
Finance income	5.9	0.1	-	0.1	6.1	-	6.1	-	6.1
Finance expense	(13.1)	(8.1)	-	-	(21.2)	0.2	(21.0)	-	(21.0)
Other finance expense	(0.5)	(0.1)	-	-	(0.6)	-	(0.6)	-	(0.6)
Change in fair value of derivative financial instruments	(5.3)	(3.4)	-	-	(8.7)	-	(8.7)	-	(8.7)
(Loss)/profit before tax per reportable segments	(0.1)	37.3	(0.7)	(5.6)	30.9	0.6	31.5	0.7	32.2
Taxation	(0.2)	-	(1.9)	1.3	(0.8)	0.2	(0.6)	1.9	1.3
(Loss)/profit after tax per reportable segments	(0.3)	37.3	(2.6)	(4.3)	30.1	0.8	30.9	2.6	33.5
Discontinued operation									
Profit for the year from discontinued operation								(2.6)	(2.6)
IFRS profit for the year					30.1	0.8	30.9	-	30.9

3. SEGMENTAL REPORTING (CONTINUED)

Segmental income statement for the year ended 31 December 2022	UK Commercial £m	UK Hotels £m	UK Retail £m	Europe Dis Op £m	Other £m	Total £m	Joint venture elimination £m	Group total £m	Europe Dis Op adj £m	IFRS total £m
Continuing operations										
Revenue										
Rental income	24.9	17.6	-	0.1	-	42.6	(0.8)	41.8	(0.1)	41.7
Service charge income	0.9	0.3	-	-	-	1.2	-	1.2	-	1.2
Other operating income	1.3	-	-	-	-	1.3	-	1.3	-	1.3
Total revenue	27.1	17.9	-	0.1	-	45.1	(0.8)	44.3	(0.1)	44.2
Net rental income	21.9	17.5	(0.1)	-	-	39.3	(0.8)	38.5	-	38.5
Other operating income and expense	0.9	-	-	-	-	0.9	-	0.9	-	0.9
Administrative costs and other fees	(0.9)	(0.2)	-	(0.5)	(6.2)	(7.8)	-	(7.8)	0.5	(7.3)
Net operating income/(expense)	21.9	17.3	(0.1)	(0.5)	(6.2)	32.4	(0.8)	31.6	0.5	32.1
(Loss)/gain on revaluation of investment property	(68.4)	0.6	-	-	-	(67.8)	2.0	(65.8)	-	(65.8)
Loss on revaluation of investment property held for sale	-	-	-	-	-	-	-	-	-	-
Gain on disposal of investment property	7.2	-	-	-	-	7.2	-	7.2	-	7.2
Loss on disposal of investment property held for sale	-	-	-	(0.1)	-	(0.1)	-	(0.1)	0.1	-
(Loss)/gain on disposal of subsidiaries (Note 8)	(3.2)	2.7	-	-	-	(0.5)	-	(0.5)	-	(0.5)
Other expenses										
Foreign exchange gain	-	-	-	-	0.1	0.1	-	0.1	-	0.1
Finance income	-	0.1	-	-	-	0.1	-	0.1	-	0.1
Finance expense	(9.3)	(7.3)	-	-	(0.1)	(16.7)	0.3	(16.4)	-	(16.4)
Other finance expense	-	(0.1)	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Change in fair value of derivative financial instruments	7.7	7.0	-	-	-	14.7	(0.7)	14.1	-	14.1
Share of post-tax profit from associate	-	2.1	-	-	-	2.1	-	2.1	-	2.1
(Loss)/profit before tax per reportable segments	(44.1)	22.4	(0.1)	(0.6)	(6.2)	(28.6)	0.9	(27.7)	0.6	(27.1)
Taxation	-	-	-	3.4	-	3.4	-	3.4	(3.4)	-
(Loss)/profit after tax per reportable segments	(44.1)	22.4	(0.1)	2.8	(6.2)	(25.2)	0.9	(24.3)	(2.8)	(27.1)
Continuing operation										
Impairment of loan to continuing joint venture interest						-	(0.4)	(0.4)	-	(0.4)
Movement in losses restricted						0.4	(0.4)	-	-	-
Discontinued operation										
Share of post-tax loss from joint ventures						-	(0.1)	(0.1)	0.1	-
Reversal of impairment of investment						0.4	-	0.4	(0.4)	-
Profit for the year from discontinued operation						-	-	-	3.1	3.1
IFRS profit for the year						(24.4)	-	(24.4)	-	(24.4)

3. SEGMENTAL REPORTING (CONTINUED)

Segmental balance sheet as at 31 December 2023	UK	UK	Europe	Total	Joint	IFRS
	Commercial	Hotels	Dis Op		venture	
	£m	£m	£m	£m	adj	£m
Investment property	282.3	285.5	-	567.8	-	567.8
Investment in associate	-	8.0	-	8.0	-	8.0
Trade and other receivables	12.8	14.8	0.1	27.7	-	27.7
Cash and cash equivalents	4.2	11.2	-	15.4	(0.1)	15.3
Non-current assets held for sale	-	40.9	-	40.9	-	40.9
Borrowings, including lease liabilities	(177.3)	(159.5)	-	(336.8)	-	(336.8)
Trade and other payables	(6.3)	(8.2)	-	(14.5)	1.2	(13.3)
Provisions	-	(7.6)	-	(7.6)	-	(7.6)
Segmental net assets	115.7	185.1	0.1	300.9	1.1	302.7
Unallocated assets and liabilities:						
Other non-current assets				1.3	-	1.3
Trade and other receivables				0.2	-	0.2
Cash and cash equivalents				19.4	-	19.4
Derivative financial instruments				5.0	-	5.0
Lease liabilities				(1.3)	-	(1.3)
Trade and other payables				(1.1)	-	(1.1)
Current tax liabilities				(4.7)	0.1	(4.6)
				319.7	1.2	320.9
Joint venture adjustments:						
Cumulative restricted losses in joint ventures				1.2	(1.2)	-
IFRS net assets				320.9	-	320.9

Segmental balance sheet as at 31 December 2022	UK	UK	Europe	Total	Joint	IFRS
	Commercial	Hotels	Dis Op		venture	
	£m	£m	£m	£m	adj	£m
Investment property	302.1	305.8	-	607.9	(7.9)	600.0
Investment in associate	-	8.8	-	8.8	-	8.8
Trade and other receivables	11.5	11.4	0.3	23.2	(0.5)	22.7
Cash and cash equivalents	5.4	7.4	0.1	12.9	(0.1)	12.8
Non-current assets held for sale	8.8	24.6	-	33.4	-	33.4
Borrowings, including lease liabilities	(193.5)	(163.5)	-	(357.0)	7.5	(349.5)
Trade and other payables	(6.4)	(8.7)	-	(15.1)	1.4	(13.7)
Segmental net assets	127.9	185.8	0.4	314.1	0.4	314.5
Unallocated assets and liabilities:						
Other non-current assets				1.5	-	1.5
Trade and other receivables				0.2	-	0.2
Cash and cash equivalents				9.3	-	9.3
Derivative financial instruments				13.7	-	13.7
Lease liabilities				(1.5)	-	(1.5)
Trade and other payables				(2.0)	-	(2.0)
Current tax liabilities				(3.6)	-	(3.6)
				331.7	0.4	332.1
Joint venture adjustments:						
Joint Venture non-controlling interests				-	-	-
Investment in joint ventures				-	-	-
Recognised loan to joint ventures				-	-	-
Cumulative restricted losses in joint ventures				0.4	(0.4)	-
IFRS net assets				332.1	-	332.1

3. SEGMENTAL REPORTING (CONTINUED)

Other segmental information	UK Commercial £m	UK Hotels £m	IFRS total £m
31 December 2023			
<i>Additions to investment property during the year per reportable segment:</i>			
Capitalised expenditure	0.3	8.9	9.2
	0.3	8.9	9.2

Other segmental information	UK Commercial £m	UK Hotels £m	IFRS total £m
31 December 2022			
<i>Additions to investment property during the year per reportable segment:</i>			
Capitalised expenditure	0.2	1.2	1.4
	0.2	1.2	1.4

4. NET RENTAL INCOME

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Group – Continuing operations		
Rental income ⁽¹⁾		
Gross lease payments from third parties	17.5	25.3
Third party tenant lease incentives	1.6	1.4
	19.1	26.7
Gross lease payments from related party (Note 32)	28.8	18.3
Related party tenant lease incentives (Note 32)	(4.1)	(3.3)
	24.7	15.0
Service charge income	1.4	1.2
	45.2	42.9
Rental expense		
Service charge expenditure (recoverable and non-recoverable)	(1.4)	(1.1)
Direct property operating expenses	(0.1)	(1.8)
(Expected credit losses)/reversal of expected credit losses against rent and service charge receivables	(0.1)	0.2
Expected credit losses against tenant lease incentives	(1.9)	-
Repairs and maintenance	-	(0.4)
Property services provided by related party (Note 32)	-	(0.4)
Letting costs	(0.6)	(0.4)
London Serviced Offices portfolio direct staff and sales costs	-	(0.5)
	(4.1)	(4.4)
Net rental income	41.1	38.5

⁽¹⁾ Further disaggregation of the Group's revenues, including revenue from contracts with customers, based on segment is contained in Note 3.

The future aggregate minimum rent receivable under non-cancellable operating leases at the balance sheet date, as presented under IFRS 16 disclosure requirements, is as follows:

	31 December 2023 £m	31 December 2022 £m
Group – Continuing operations		
Not later than one year	41.3	41.5
Later than one year not later than two years	39.2	40.0
Later than two year not later than three years	37.8	38.2
Later than three year not later than four years	30.1	36.7
Later than four year not later than five years	11.9	30.2
Later than five years	103.3	135.1
	263.6	321.7

5. OTHER OPERATING INCOME AND EXPENSE

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Continuing operations		
Other operating income ⁽¹⁾		
Service fee income	-	1.3
Other property related income	0.7	-
	0.7	1.3
Other operating expense		
Service fee expense	-	(0.4)
	-	(0.4)
Other operating income and expense	0.7	0.9

⁽¹⁾ Further disaggregation of the Group's other operating income by segment is contained in Note 3.

6. ADMINISTRATIVE COSTS AND OTHER FEES

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Continuing operations		
Staff costs	3.0	3.6
Non-executive Director fees and insurance	0.1	0.2
Professional fees	1.3	1.5
Corporate costs	0.1	0.2
Non-recurring transaction costs	0.3	0.2
Head office costs	0.5	0.7
Share-based payments (Note 33)	0.7	-
Investment management fees to related party (Note 32)	-	0.3
Depreciation	0.2	0.3
General administrative expenses	0.2	0.3
Administrative costs and other fees	6.4	7.3

The table below presents fees payable to the company's auditor, which are included in professional fees.

	31 December 2023 £m	31 December 2022 £m
Audit fees	0.5	0.5
Total fees	0.5	0.5

In the year ended 31 December 2023, no non-audit services had been provided by the auditors (31 December 2022: nil).

7. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Wages and salaries	2.6	3.1
Social security costs	0.4	0.5
Staff costs	3.0	3.6

The average monthly number of employees, including the directors, during the year was as follows:

	31 December 2023	31 December 2022
	15	31

8. DISPOSAL OF SUBSIDIARIES

The impact of corporate disposals during the year ended 31 December 2023 and the related net cash inflow is presented below:

	UK Hotels £m	31 December 2023 £m
Continuing operations		
Carrying value of net assets disposed		
Investment property	(13.8)	(13.8)
Trade and other receivables	(0.1)	(0.1)
Trade and other payables	0.1	0.1
Net assets disposed	13.8	13.8
Consideration received	15.0	15.0
Transaction costs	(0.3)	(0.3)
Profit on disposal of subsidiaries	0.9	0.9

On 15 December 2023, the Group completed the sale of a UK Hotel asset for gross consideration of £15.0 million. The net assets of the subsidiary sold were £13.8 million on the date of sale and the group recognised a profit on sale of £0.9 million.

The impact of corporate disposals during the year to 31 December 2022 and the related net cash inflow is presented below:

	London Served Offices £m	Brentford £m	Disposals in prior year £m	31 December 2022 £m
Continuing operations				
Carrying value of net assets disposed				
Investment property	(162.5)	(12.9)	-	(175.4)
Property plant and equipment	(0.5)	-	-	(0.5)
Trade and other receivables	(2.5)	-	-	(2.5)
Cash and cash equivalents	(4.3)	-	-	(4.3)
Borrowing	92.2	-	-	92.2
Trade and other payables	14.5	-	-	14.5
Net assets disposed	(63.1)	(12.9)	-	(76.0)
Non controlling interest disposed	6.0	-	-	6.0
Consideration received	53.9	16.0	-	69.9
Consideration adjustment	0.1	-	0.3	0.4
Transaction costs	(0.3)	(0.5)	-	(0.8)
Profit/(loss) on disposal of subsidiaries	(3.4)	2.6	0.3	(0.5)

On 1 July 2022, the Group completed the sale of the London Served Offices Limited subsidiary group consisting of four serviced office space properties in London ("London Served Offices", "LSO"), for gross consideration of £53.9 million. The net assets of the subsidiaries disposed of were £63.1 million on the date of sale and the Group recognised a loss on disposal of £3.4 million, inclusive of transaction costs and an estimated completion adjustment.

On 1 July 2022, the Group disposed of a UK Hotels property in Brentford, London for a gross consideration of £16.0 million. The net assets of the subsidiary were £12.9 million on the date of sale and the Group recognised a gain on disposal of £2.6 million, inclusive of transaction costs.

The Group also received £0.3 million additional consideration in relation to disposals made in the prior year.

9. INVESTMENT PROPERTY

	Commercial	Hotels	Total	Freehold	Leasehold
	£m	£m	£m	£m	£m
31 December 2023					
Opening carrying value at 1 January 2023	294.2	305.8	600.0	499.5	100.5
Head lease adjustment	-	0.6	0.6	-	0.6
Capitalised expenditure	0.4	8.9	9.3	6.7	2.6
Disposals through sale of subsidiary (Note 8)	-	(13.8)	(13.8)	(13.8)	-
Disposals through sale of property	(10.0)	-	(10.0)	(10.0)	-
Transfer to assets held for sale (Note 10)	-	(41)	(41.0)	(41.0)	-
(Loss)/gain on revaluation of investment property	(2.3)	25.0	22.7	14.0	8.7
IFRS carrying value at 31 December 2023	282.3	285.5	567.8	455.4	112.4
Adjustments:					
Head lease assets (Note 23)	(2.7)	(31.3)	(34.0)	-	(34.0)
Tenant lease incentives (Note 20)	6.8	2.2	9.0	8.0	1.0
Market value of Group portfolio at 31 December 2023	286.4	256.4	542.8	463.4	79.4
Market value of assets held for sale (Note 10)	-	40.9	40.9	40.9	-
Market value of Group portfolio at 31 December 2023	286.4	297.3	583.7	504.3	79.4
	Commercial	Hotels	Total	Freehold	Leasehold
	£m	£m	£m	£m	£m
31 December 2022					
Opening carrying value at 1 January 2022	548.2	339.3	887.5	634.2	253.3
Head lease adjustment	0.2	2.2	2.4	-	2.4
Capitalised expenditure	0.2	1.2	1.4	1.1	0.3
Disposals through sale of subsidiary (Note 8)	(162.5)	(12.9)	(175.4)	(27.4)	(148.0)
Disposals through sale of property	(16.7)	-	(16.7)	(16.7)	-
Transfer to assets held for sale (Note 10)	(8.8)	(24.6)	(33.4)	(33.4)	-
Gain/(loss) on revaluation of investment property	(66.4)	0.6	(65.8)	(59.1)	(6.7)
IFRS carrying value at 31 December 2022	294.2	305.8	600.0	498.7	101.3
Adjustments:					
Head lease assets (Note 23)	(2.7)	(30.7)	(33.4)	-	(33.4)
Tenant lease incentives (Note 20)	7.2	3.1	10.3	8.8	1.5
Market value of Group portfolio at 31 December 2022	298.7	278.2	576.9	507.5	69.4
Market value of assets held for sale (Note 10)	8.8	24.6	33.4	33.4	-
Market value of Group portfolio at 31 December 2022	307.5	302.8	610.3	540.9	69.4
Joint ventures					
Share of joint venture investment property	8.2	-	8.2	8.2	-
Market value of total portfolio at 31 December 2022 (on a proportionately consolidated basis)	315.7	302.8	618.5	549.1	69.4

The tables above present both segmental and market value investment property information prepared on a proportionately consolidated basis. Properties that have been classified as held for sale in the current year are also included so that the market value of the total portfolio can be determined. This format is not a requirement of IFRS and is for informational purposes as it is used in reports presented to the Group's Chief Operating Decision Maker.

Valuation

The carrying value of investment property is its market value as determined by appropriately qualified independent valuers (and adjusted for minimum payments under head leases and tenant lease incentives), with the exception of properties exchanged for sale by or just after the reporting date. These properties have been valued in line with the contractual sales price at year-end. Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property-by-property basis, and in limited circumstances in aggregation with other assets, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change to determine an appropriate valuation. Fees paid to valuers are based on arms-length fixed price contracts.

The fair value of the Group's property for the year ended 31 December 2023 was assessed by independent and appropriately qualified valuers in accordance with the Royal Institute of Chartered Surveyors ("RICS") standards and IFRS 13. The valuations are performed by Savills for the Group's portfolio. The valuations are reviewed internally by senior management and presented to the Board. The presentation includes discussion around the assumptions used by the external valuers, as well as a review of the resulting valuations.

9. INVESTMENT PROPERTY (CONTINUED)

Valuation inputs

The fair value of the property portfolio (excluding RBH managed UK Hotels) has been determined using either a discounted cash flow or a yield capitalisation technique, whereby contracted and market rental values are capitalised at a market rate, having regard for: tenant covenant strength; lease maturity; quality and location of the property; occupancy; non-recoverable costs and head rents. For RBH managed Hotels, fair value is determined with reference to a capitalisation rate applied to the EBITDA of the underlying operational business. The resulting valuations are cross-checked against the net initial yield and the fair market values per square foot of comparable recent market transactions, as available.

The valuation techniques are consistent with IFRS 13 and use significant unobservable inputs. Valuation techniques can change at each valuation round depending on prevailing market conditions, market transactions and the property's highest and best use at the reporting date. Where there is a lack of market comparable transactions, the level of estimation and judgement increases on account of fewer observable inputs and the degree of variability could be expected to widen.

Fair value disclosures

The Group considers all its investment property to fall within 'Level 3', as defined by IFRS 13 (refer to Note 31). There has been no transfer of property within the fair value hierarchy during the year. The key unobservable valuation inputs of the Group's total portfolio, including assets held for sale, are set out in the tables below:

	Market value £m	Lettable area sqm	Average rent per sqm £	Weighted average lease length yrs ⁽¹⁾	Weighted average net initial yield %	Net initial yield % range	Average market rent per sqm £
31 December 2023							
UK Commercial	286.4	147,143	116.4	7.8	4.4%	2.3 - 6.4	122.4
UK Hotels	297.4	62,874	430.5	2.4	8.5%	4.8 - 11.8	394.5
Total	583.8	210,017					
31 December 2022							
UK Commercial	307.5	161,675	106.8	9.5	4.6	0.8 - 16.0	111.6
UK Hotels	302.8	71,718	351.1	2.7	7.1	3.5 - 6.0	301.1
Joint ventures							
UK Commercial	8.2	2,753	315.4	5.5	9.9	9.9	314.2
Total	618.5	236,146					

⁽¹⁾ Excluding the RBH managed hotels portfolios given the operational nature of the underlying trading businesses.

Valuation sensitivities

The tables below set out the financial impact of positive and negative shifts in the primary unobservable inputs on the valuation of the Group's controlled property segments:

31 December 2023	Market value £m	+5%		-5%		-25bps Yield/		+25bps Yield/		+100bps Yield/	
		ERV/ EBITDA £m ⁽¹⁾	ERV/ EBITDA £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾		
UK Commercial	286.4	12.7	(12.7)	3.0	(23.9)	51.3	(49.3)	50.3	(56.6)		
UK Hotels	297.4	12.4	(14.7)	10.2	(9.4)	53.1	(55.1)	45.6	(34.0)		
Total	583.8	25.1	(27.4)	13.2	(33.3)	104.4	(104.4)	95.9	(90.6)		
31 December 2022	Market value £m	+5%		-5%		-25bps Yield/		+25bps Yield/		+100bps Yield/	
		ERV/ EBITDA £m ⁽¹⁾	ERV/ EBITDA £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾	Capitalisation rate £m ⁽¹⁾		
UK Commercial	307.5	14.0	(13.7)	17.3	(15.5)	55.7	(53.0)	91.3	(55.0)		

UK Hotels	302.8	11.3	(16.2)	10.7	(9.9)	52.9	(57.9)	48.5	(35.8)
Total	610.3	25.3	(29.9)	28.0	(25.4)	108.6	(110.9)	139.8	(90.8)

¹. EBITDA and capitalisation rate inputs are applicable to the RBH managed hotels and the London Serviced Offices portfolio given the operational nature of the underlying businesses.

9. INVESTMENT PROPERTY (CONTINUED)

An increase in the current or future rental stream would increase capital value while a higher yield or discount rate would decrease capital value. There are interrelationships between these unobservable inputs however as they are partially determined by market conditions, the valuation movement in any one year depends on the balance between them.

Disposals

The Group made 15 investment property disposals during the year ended 31 December 2023 by way of asset sales from the UK Commercial portfolio.

	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Fair value adjustments £m	Gain on disposal £m
31 December 2023						
Continuing operations						
UK Commercial portfolio	11.9	(0.2)	11.7	10.0	-	1.7
Total disposals during the year	11.9	(0.2)	11.7	10.0	-	1.7

The Group made 5 investment property disposals during the year ended 31 December 2022 by way of asset sales from the UK Commercial portfolio.

	Sales proceeds £m	Disposal costs £m	Net sales proceeds £m	Carrying value £m	Fair value adjustments £m	Gain on disposal £m
31 December 2022						
Continuing operations						
Commercial portfolio	24.5	(0.6)	23.9	16.7	-	7.2
Total disposals during the year	24.5	(0.6)	23.9	16.7	-	7.2

Committed expenditure

At 31 December 2023, the Group was contractually committed to expenditure of £0.3 million for the future development and enhancement of investment property (31 December 2022: £0.6 million).

Commercial property price risk

The Board draws attention to the risks associated with commercial property investments. Although over the long-term property is considered a low risk asset, investors must be aware that significant short and medium term risk factors are inherent in the asset class. Investments in property are relatively illiquid and usually more difficult to realise than listed equities or bonds and this restricts the Group's ability to realise value in cash in the short-term.

10. NON-CURRENT ASSETS AND DISPOSAL GROUP HELD FOR SALE

	UK Commercial £m	UK Hotels £m	Europe Dis Op £m	Total £m	Freehold £m	Leasehold £m
Investment property						
Opening balance at 1 January 2022	-	-	2.2	2.2	-	2.2
Transfers from/to investment property (Note 9)	8.8	24.6	-	33.4	33.4	-
Disposals through the sale of property	-	-	(2.3)	(2.3)	-	(2.3)
Foreign currency translation	-	-	0.1	0.1	-	0.1
Opening balance at 1 January 2023	8.8	24.6	-	33.4	33.4	-
Transfers from investment property (Note 9)	-	41.0	-	41.0	41.0	-
Loss on revaluation of investment property	-	(0.1)	-	(0.1)	(0.1)	-
Disposals through the sale of property	(8.8)	(24.6)	-	(33.4)	(33.4)	-
Market value of Group assets held for sale at 31 December 2023	-	40.9	-	40.9	40.9	-

Discontinued Europe portfolio

In March 2019, the Board approved a marketing exercise for the prospective sale of the Europe portfolio, a separately identifiable line of business containing the Group's investment properties located in Germany. All assets within the Europe portfolio were classified as a disposal group held for sale in addition to the results and cash flows of the segment being treated as a discontinued operation. At 31 December 2022, all properties had been sold.

UK portfolio

As at 31 December 2023, three UK Hotel assets met the criteria of IFRS 5 as held for sale and were transferred from investment property.

10. NON-CURRENT ASSETS AND DISPOSAL GROUP HELD FOR SALE (CONTINUED)

Disposals

During the year ended 31 December 2023, the Group disposed of the 11 UK Commercial properties and one UK Hotel property previously classified as held for sale.

	Sales proceeds	Disposal costs	Net sales proceeds	Carrying value	Gain/(loss) on disposal
31 December 2023	£m	£m	£m	£m	£m
UK Commercial	9.5	(0.3)	9.2	8.8	0.4
UK Hotels	20.0	-	20.0	24.6	(4.6)
Total disposals during the year	29.5	(0.3)	29.2	33.4	(4.2)

The Group disposed of one property during the year ended 31 December 2022 from the discontinued Europe portfolio.

	Sales proceeds	Disposal costs	Net sales proceeds	Carrying value	Foreign currency translation	Loss on disposal
31 December 2022	£m	£m	£m	£m	£m	£m
Discontinued operation						
Discontinued Europe portfolio	2.2	0.1	2.1	2.2	(0.1)	-
Total disposals during the year	2.2	0.1	2.1	2.2	(0.1)	-

Fair value disclosures

All non-current assets held for sale fall within 'Level 3', as defined by IFRS 13 (refer to Note 31). Accordingly, there has been no transfer within the fair value hierarchy during the year.

11. FINANCE INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
	£m	£m
Continuing operations		
Interest income on bank deposits	0.2	-
Interest income on interest rate swaps	5.9	-
Finance income	6.1	-

12. FINANCE EXPENSE

	Year ended 31 December 2023	Year ended 31 December 2022
	£m	£m
Continuing operations		
Finance expense on secured bank loans	(18.0)	(12.9)
Amortisation of debt issue costs	(1.3)	(1.5)
Finance expense on lease liabilities ⁽¹⁾	(1.7)	(1.9)
Finance expense	(21.0)	(16.3)

⁽¹⁾ Finance charges have been calculated with reference to the incremental rate of borrowing specific to each lease. The incremental rates of borrowing range between 2.6 to 6.4 per cent per cent. Additional turnover rent charge specific to one of the UK Hotel long-leasehold interests is also included in the finance cost above. Excess turnover rent incurred for the year ended 31 December 2023 was £0.4 million (31 December 2022: £0.3 million).

13. OTHER FINANCE INCOME AND OTHER FINANCE EXPENSE

	Year ended 31 December 2023	Year ended 31 December 2022
	£m	£m
Continuing operations		
Interest income on loans to joint ventures	-	0.1
Other finance income	-	0.1

	31 December 2023	31 December 2022
	£m	£m
Continuing operations		
Other non-recurring finance expense	(0.6)	(0.2)
Other finance expense	(0.6)	(0.2)

14. INVESTMENT IN AND LOANS TO JOINT VENTURES

	31 December 2023	31 December 2022
	£m	£m
Investment in joint ventures		
Opening balance at 1 January	-	2.2
Share of post-tax loss	-	(0.1)
Distributions received from joint ventures	-	(2.3)
Foreign currency translation	-	0.2
Investment in joint ventures	-	-

	31 December 2023	31 December 2022
	£m	£m
Loans to joint ventures		
Opening balance at 1 January 2023	-	0.4
Impairment of loans to continuing joint venture	-	(0.4)
Loan to joint ventures	-	-
Carrying value of net interest in joint ventures	-	-

The Group's interests in joint venture entities are in the form of:

- 1) an interest in the share capital of the joint venture companies; and
- 2) loans advanced to the joint venture entities.

The Esplanade

At 31 December 2023, the Group's investment in this continuing joint venture comprised:

- (i) 50 per cent interest in TwentySix The Esplanade Limited, a joint venture with Rimstone Limited, which disposed of its office building in St. Helier, Jersey on 21 July 2023.

Under the equity method, the investment in Esplanade is carried at £nil in the Group's financial statements as cumulative losses to date exceeded or materially equalled the cost of the Group's net investment at 31 December 2023. In addition, the outstanding loan to the joint venture was fully impaired in previous years.

On a proportionate basis and for segmental reporting purposes, the Group's interest in the Esplanade is recognised on a line-by-line basis. Refer to Note 3.

Fair value disclosures

The fair value of the Group's recognised loan to joint venture as at 31 December 2023 was nil (31 December 2022: £nil) and the Group considers that this financial asset falls within 'Level 3' as defined by IFRS 13 (refer to Note 31).

Summarised financial information

The summarised financial information of the Group's joint ventures, in addition to reconciliations to the amounts presented in the financial statements, are set out separately below:

	The Esplanade	Elimination of joint venture partners' interest	Proportionate total
	£m	£m	£m
31 December 2023			
Percentage ownership interest	50%		
Summarised income statement			
Net rental income	0.9	(0.4)	0.5
Net operating income	0.9	(0.4)	0.5
Loss on disposal of investment property	(1.6)	0.8	(0.8)
Finance expense	(0.4)	0.2	(0.2)

	The Esplanade	Elimination of joint venture partners' interest	Proportionate total
	£m	£m	£m
31 December 2023			
Taxation	(0.4)	0.2	(0.2)
Loss and total comprehensive expense for the year	(1.5)	0.8	(0.7)
Reconciliation to IFRS:			
Elimination of joint venture partners' interests	0.8	(0.8)	-
Group share of joint venture results	(0.7)	-	(0.7)
<i>Presented as:</i>			
Excess losses in joint venture not recognised	0.7	-	0.7

Summarised balance sheet

Cash and cash equivalents	0.2	(0.1)	0.1
Total assets	0.2	(0.1)	0.1
Loans from joint venture partners	(6.6)	3.3	(3.3)
Trade and other payables (inc. current tax liabilities)	(2.5)	1.3	(1.2)
Total liabilities	(9.1)	4.6	(4.5)
Net (liabilities)/assets	(8.9)	4.5	(4.4)
Reconciliation to IFRS:			
Elimination of joint venture partners' interests	4.5	(4.5)	-
Impaired loan to joint venture ⁽¹⁾	3.3		3.3
Excess losses in joint venture not recognised	1.1		1.1
Carrying value of net interest in joint ventures	-	-	-

⁽¹⁾ Loans to joint ventures include the opening balance, any advances or repayments and foreign currency movements during the year.

	The Esplanade	Elimination of joint venture partners' interest	Proportionate total
	£m	£m	£m
31 December 2022			
Percentage ownership interest	50%		
Summarised income statement			
Net rental income	1.7	(0.9)	0.8
Net operating income	1.6	(0.8)	0.8
Loss on revaluation of investment property	(3.9)	2.0	(1.9)
Finance expense	(0.6)	0.3	(0.3)
Change in fair value of derivative financial instruments	1.3	(0.7)	0.6
Loss and total comprehensive expense for the year	(1.6)	0.8	(0.8)
Reconciliation to IFRS:			
Elimination of joint venture partners' interests	0.8	(0.8)	-
Group share of joint venture results	(0.8)	-	(0.8)
<i>Presented as:</i>			
Excess losses in joint venture not recognised	(0.4)	-	(0.4)
Impairment of loan to continuing joint venture interest	(0.4)	-	(0.4)

Summarised balance sheet

Investment property	15.9	(8.0)	7.9
Trade and other receivables	0.9	(0.4)	0.5
Cash and cash equivalents	0.2	(0.1)	0.1
Total assets	17.0	(8.5)	8.5
External borrowings	(15.0)	7.5	(7.5)
Loans from joint venture partners	(6.6)	3.3	(3.3)
Trade and other payables (inc. current tax liabilities)	(2.8)	1.4	(1.4)
Total liabilities	(24.4)	12.2	(12.2)
Net assets/(liabilities)	(7.4)	3.7	(3.7)
Reconciliation to IFRS:			
Elimination of joint venture partners' interests	3.7	(3.7)	-
Impaired loan to joint venture ⁽¹⁾	3.3	-	3.3

31 December 2022	The Esplanade	Elimination of joint venture partners' interest	Proportionate total
	£m	£m	£m
Excess losses in joint venture not recognised	0.4	-	0.4
Carrying value of net interest in joint ventures	-	-	-

⁽¹⁾ Loans to joint ventures include the opening balance, any advances or repayments and foreign currency movements during the year.

15. INVESTMENT IN ASSOCIATE

	31 December 2023	31 December 2022
	£m	£m
Investment in RBH		
Opening balance at 1 September	8.8	6.8
Share of post-tax profit	-	2.2
Distributions (Note 32)	(0.8)	(0.2)
Carrying value of investment in associate	8.0	8.8

RBH

The summarised financial information of RBH is set out below.

	31 December 2023	31 December 2022
	£m	£m
Summarised income statement		
Revenue	108.9	73.6
Other income	2.0	9.8
Expenses	(110.3)	(74.8)
Profit from operations	0.6	8.6
Taxation	(0.7)	(0.6)
(Loss)/profit for the year	(0.1)	8.0
Elimination of third party interest	0.1	(5.8)
Share of post-tax profit	-	2.2
Summarised balance sheet		
Non-current assets	0.5	0.9
Trade and other receivables	5.7	4.4
Cash and cash equivalents	14.3	15.4
Total assets	20.5	20.7
Trade and other payables	(17.6)	(14.2)
Total liabilities	(17.6)	(14.2)
Net assets	2.9	6.5
Share of net assets attributable to the Group	0.8	1.8
Valuation adjustment	7.2	7.0
Carrying value of the Group's investment in associate	8.0	8.8

The Group's interest in RBH at 31 December 2023 was 27.4 per cent (31 December 2022: 27.4 per cent).

Distributions received from RBH for the year ended 31 December 2023 were £0.8 million (31 December 2022: £0.2 million).

16. TAXATION

Tax recognised in the income statement

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Continuing operations		
Current income tax		
Income tax in respect of current year	-	-
Adjustments in respect of prior years	(1.3)	-
Tax credit for the year recognised in the income statement	(1.3)	-
Discontinued operation		
Current income tax	-	(3.3)
Deferred income tax	1.9	(0.1)
Tax charge/(credit) for the year included in post-tax loss from discontinued operation	1.9	(3.4)
Total tax charge/(credit) for the year	0.6	(3.4)

Reconciliation

The tax rate for the year is lower than the average standard rate of corporation tax in the UK of 23.5 per cent (31 December 2022: 19 per cent). The differences are explained below:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Continuing operations		
Profit/(loss) before tax	32.2	(27.5)
Profit/(loss) before tax multiplied by standard rate of corporation tax	7.6	(5.2)
Effect of:		
- Loss on disposal of subsidiary	(0.2)	0.1
- (Gain)/loss on revaluation of investment property (including held for sale)	(5.3)	12.5
- Net profit on disposal of investment property (including held for sale)	0.6	(1.4)
- Change in fair value of derivative financial instruments	2.0	(2.7)
- Income not subject to UK income tax	(1.0)	(0.4)
- REIT exempt property rental profits	(4.9)	(3.1)
- Unutilised losses carried forward	1.1	0.5
- Items not (assessable)/deductible for tax	0.1	(0.3)
- Adjustments in respect of prior periods	(1.3)	-
Tax charge for the year recognised in the income statement	(1.3)	-

As shown in the reconciliations above, the effective tax rate of the Group is not meaningful given the loss position in the current year.

On 4 December 2013, the Group converted to a UK-REIT. As a result, the Group does not pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided certain conditions are met. Non-qualifying profits and gains of the Group continue to be subject to corporation tax such as the profits and gains outside of the UK. The Directors intend the Group to continue as a REIT for the foreseeable future. As a result, deferred tax is no longer recognised on temporary differences relating to the UK property rental business which is within the REIT structure.

17. NON-CONTROLLING INTERESTS

	31 December 2023 £m	31 December 2022 £m
Group		
Opening balance at 1 January 2023	31.7	40.7
Comprehensive income for the year:		
Share of profit for the year – continuing operations	7.5	4.0
Changes in ownership interests in subsidiaries:		
Dividends paid	(3.5)	(7.2)
Disposal of non-controlling interests	(1.8)	(5.8)
Total non-controlling interests	33.9	31.7

On 8 June 2023, the remaining subsidiary in the LSO portfolio was formally dissolved. As a result, the related 20% non-controlling interest was derecognised.

The following table summarises the current and comparative financial information relating to the Group's material non-controlling interests in the IHL Holdco Limited hotels portfolio (IHL) and Redefine Hotels Holding Limited hotels portfolio (RHHL), before any intra-group eliminations.

	31 December 2023				31 December 2022				
	IHL £m	RHHL £m	Dis Op £m	Total non- Europecontrolling interests £m	LSO £m	IHL £m	RHHL £m	Dis Op £m	Total non Europe controlling interests £m
Principal place of business	United Kingdom	United Kingdom			United Kingdom	United Kingdom	United Kingdom		
Country of incorporation	BVI	BVI			Isle of Man	BVI	BVI		
NCI %			Individually immaterial		20.0%	25.9%	17.5%	Individually immaterial	
Summarised balance sheet									
Investment property	117.1	152.4			-	122.5	166.6		
Other non-current assets		41.0			-	-	24.6		
Receivables	1.7	3.2			9.0	2.2	3.7		
Cash and cash equivalents	13.1	8.0			-	2.6	9.5		
Derivative financial instruments	0.9	3.8			-	1.6	6.5		
Borrowings, including lease liabilities	(67.3)	(92.2)			-	(71.6)	(91.9)		
Trade and other payables	(6.1)	(11.2)			-	(10.1)	(18.9)		
Net assets	59.4	105.0			9.0	47.3	100.1		
Elimination of Brightbay interests	(44.0)	(86.5)			(7.2)	(35.0)	(82.6)		
NCI share of net assets	15.4	18.5	-	33.9	1.8	12.2	17.5	-	31.7
Summarised statement of comprehensive income									
Revenue	11.2	15.4	-		6.8	8.2	8.6		
Profit/(loss) for the year	12.0	24.7	-		2.9	2.2	16.6		
Profit/(loss) attributable to NCI	3.1	4.3	0.1	7.5	0.6	0.6	2.9	-	4.1
Dividends paid to NCI	-	(3.5)	-	(3.5)	(7.2)	-	-	-	(7.2)
Summarised cash flow statement									
Cash inflow/(outflow) from operating activities	2.6	2.4			3.1	(0.3)	(4.2)		
Cash inflow/(outflow) from investing activities	14.8	18.9			(4.8)	(0.1)	15.5		
Cash outflow from financing activities	(6.9)	(22.8)			(3.6)	(0.1)	(7.1)		
Net increase/(decrease) in cash and cash equivalents	10.5	(1.5)			(5.3)	(0.5)	4.2		

18. EARNINGS PER SHARE

Earnings per share is calculated on the weighted average number of shares in issue and the profit attributable to shareholders.

	31 December 2023 £m	31 December 2022 £m
IFRS profit/(loss) attributable to equity holders of the Parent:		
Continuing operations	25.9	(31.5)
Discontinued operation	(2.5)	3.1
	23.4	(28.4)
Number of ordinary shares (millions)		
IFRS weighted average	381.5	381.5
Basic and diluted IFRS earnings per share (pence)		
Continuing operations	6.8	(8.3)
Discontinued operations	(0.7)	0.9
Total Group	6.1	(7.4)

19. OTHER NON-CURRENT ASSETS

	31 December 2023	31 December 2022
	£m	£m
<i>Property, plant and equipment</i>		
Opening balance at 1 January	1.5	0.4
Additions	0.1	1.9
Disposals	-	(0.5)
Depreciation	(0.3)	(0.3)
Closing balance	1.3	1.5
Total other non-current assets	1.3	1.5

20. RECEIVABLES

	31 December 2023	31 December 2022
	£m	£m
Non-current		
Tenant lease incentives (gross) ⁽¹⁾	9.0	10.3
Expected credit losses ⁽¹⁾	(2.6)	(3.4)
	6.4	6.9
Letting costs	0.5	1.1
	0.5	1.1
Total non-current other receivables	6.9	8.0
Current		
Gross rent and other accounts receivable	3.1	0.7
Expected credit losses	(0.1)	(0.1)
	3.0	0.6
Gross service charge receivable	0.1	-
Expected credit losses	(0.1)	-
	-	-
Recoverable service charge expenditure	0.2	0.3
Tenant lease incentives ⁽¹⁾	0.8	0.6
Other amounts receivable from related parties (Note 32)	2.0	5.7
Accrued income in relation to corporate and property disposals	-	-
Prepayments and accrued income	2.3	2.0
Other receivables ⁽²⁾	12.7	5.8
Total current trade and other receivables	21.0	15.0
Total receivables	27.8	23.0

⁽¹⁾ Total tenant lease incentives of £9.0 million (31 December 2022: £10.3 million) have been deducted from investment property, including property assets held for sale, in determining fair value at the balance sheet date. Refer to lease incentives in Note 9 (£9.0 million) (31 December 2022: £10.3m).

⁽²⁾ Included in other receivables are £11.7 million account balances held in the Group's bank accounts that did not meet the definition of cash or cash equivalents (31 December 2022: £4.8m).

21. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
	£m	£m
Cash and cash equivalents	34.7	22.1
Cash and cash equivalents	34.7	22.1

At 31 December 2023, the Group's share of total cash and cash equivalents, including its share of joint venture cash, was £34.8 million (31 December 2022: £22.2 million). At 31 December 2023, £3.7 million of cash and cash equivalents is held in deposit accounts which are available for use by the group within a three-month period (31 December 2023: £2.0 million).

22. BORROWINGS

	31 December 2023 £m	31 December 2022 £m
Group		
Non-current		
Bank loans	267.2	318.0
Less: unamortised debt issue costs	(1.6)	(2.2)
Total non-current borrowings	265.6	315.8
Current		
Bank loans	37.5	0.3
Less: unamortised debt issue costs	(0.3)	-
Total current borrowings	37.2	0.3
Total borrowings	302.8	316.1

Analysis of movement in net borrowings,

The following table presents the movements in net borrowings for the years ended 31 December 2023 and 31 December 2022, split between cash and non-cash movements as required by IAS 7.

	Non-current £m	Current £m	Cash and cash equivalents £m	Net borrowings £m
Opening balance at 1 January 2022	408.8	0.6	(37.0)	372.4
Financing activities (cash)				
<i>Continuing operations</i>				
Borrowings repaid	(21.4)	(0.2)	21.6	-
<i>Discontinued operation</i>				
Borrowings repaid	-	-	-	-
	(21.4)	(0.2)	21.6	-
Financing activities (non-cash)				
Debt issue costs movements	1.9	-	-	1.9
Disposal of subsidiary	(73.1)	(0.5)	-	(73.6)
Reclassification between current and non-current	(0.4)	0.4	-	-
	(71.6)	(0.1)	-	(71.7)
Other net cash movements	-	-	(6.6)	(6.6)
Foreign currency translation	-	-	(0.1)	(0.1)
Opening balance at 31 December 2022	315.8	0.3	(22.1)	294.0
Financing activities (cash)				
<i>Continuing operations</i>				
Borrowings repaid	(13.6)	-	13.6	-
	(13.6)	-	13.6	-
Financing activities (non-cash)				
Debt issue costs movements	0.3	-	-	0.3
Reclassification between current and non-current	(36.9)	36.9	-	-
	(36.6)	36.9	-	0.3
Other net cash movements	-	-	(26.1)	(26.1)
Foreign currency translation	-	-	(0.1)	(0.1)
Closing balance at 31 December 2023	265.6	37.2	(34.7)	268.1

22. BORROWINGS (CONTINUED)

<i>Bank loans</i>	31 December 2023			31 December 2022		
	Carrying value £m	Nominal value £m	Fair value £m	Carrying value £m	Nominal value £m	Fair value £m
Non-current liabilities						
Bank loans	267.2	267.2	267.2	318.0	318.0	318.0
Less: unamortised debt issue costs	(1.6)	-	-	(2.2)	-	-
Less: fair value adjustments	-	-	-	-	-	0.2
Total non-current bank loans	265.6	267.2	267.2	315.8	318.0	318.2
Current liabilities						
Bank loans	37.5	37.5	37.5	0.3	0.3	0.3
Less: unamortised debt issue costs	(0.3)	-	-	-	-	-
Total current bank loans	37.2	37.5	37.5	0.3	0.3	0.3
Total IFRS bank loans	302.8	304.7	304.7	316.1	318.3	318.5
Cash and cash equivalents	(34.7)	(34.7)	(34.7)	(22.1)	(22.1)	(22.1)
Net debt	268.1	270.0	270.0	294.0	296.2	296.4

At 31 December 2023, the Group's bank loans were secured over investment property of £583.8 million (31 December 2022: £618.5 million) and were carried at amortised cost.

Fair value disclosures

The nominal value of floating rate borrowings is considered to be a reasonable approximation of fair value. The fair value of fixed rate borrowings at the reporting date has been calculated by discounting cash flows under the relevant agreements at indicative interest rates for similar debt instruments, with indicative quotes provided by each lender, which are considered unobservable. Given current market volatility, the potential spreads on the rates provided by the lenders at the reporting date had widened considerably. The Group considers floating rate borrowings, at a total carrying value of £302.8 million, fall within 'Level 2' as defined by IFRS 13 (refer to Note 31). The fair value equivalent of all bank loans at the reporting date was £304.7 million as presented in the bank loans table. An increase in the discount rate by 10 per cent would result in no decrease of the fair value of the bank loans (31 December 2022: £0.2 million decrease). A decrease in the discount rate by 10 per cent would result in no increase in the fair value of the bank loans (31 December 2022: £0.2 million increase).

Maturity

The maturity of Group bank loans, gross of unamortised debt issue costs and fair value adjustments is as follows:

	31 December 2023 £m	31 December 2022 £m
Less than one year	37.5	7.5
Between one year and five years	267.2	310.0
More than five years	-	8.3
	304.7	325.8

Certain borrowing agreements contain financial and other covenants that, if contravened, could alter the repayment profile.

23. LEASE LIABILITIES

Obligations under the Group's lease arrangements at the reporting date were as follows:

	31 December 2023 £m	31 December 2022 £m
<i>Maturity of lease obligations:</i>		
Not later than one year	1.4	1.4
Later than one year not later than five years	5.9	5.8
Later than five years	490.5	482.9
	497.8	490.1
Less: finance charges allocated to future periods	(462.7)	(455.1)
Present value of lease obligations	35.2	35.0

Reconciled to the following categories of right-of-use assets:

Investment property (Note 9)	34.0	33.4
Property, plant and equipment (Note 19)	1.2	1.5
Straight-lining differences on depreciation of property, plant and equipment	-	0.1
	35.2	35.0

Lease obligations relate to the Group's leasehold interests in investment property and the lease on the Group's head office. These leases are effectively secured obligations, as the rights to the leased asset revert to the lessor in an event of default. The discount rates used in calculating the present value of the minimum lease payments range from 3.3% to 4.7% per cent. The fair value of the Group's lease obligations at 31 December 2023 was £33.4 million (31 December 2022: £36.2 million) and the Group considers that these liabilities fall within 'Level 3' as defined by IFRS 13 (refer to Note 31).

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into interest rate swap and interest rate cap agreements to manage the risks arising from the Group's operations and its sources of finance.

Interest rate swaps and caps are employed by the Group to manage the interest rate profile of financial liabilities. In accordance with the terms of the majority of bank debt arrangements, the Group has entered into interest rate swaps to convert the rates from floating to fixed which has limited exposure to interest rate fluctuations. Likewise, interest rate caps are used to limit the downside exposure to significant changes to the low interest rates currently prevailing in the market.

It is the Group's policy that no economic trading in derivatives is undertaken.

	31 December 2023	31 December 2022
	£m	£m
Non-current derivative assets		
Interest rate caps	3.8	8.1
Interest rate swaps	-	5.6
	3.8	13.7
Current derivative assets		
Interest rate caps	0.9	-
Interest rate swaps	0.3	-
	1.2	-
Net derivative financial instruments	5.0	13.7

The Group holds interest rate caps at a strike rate of 1.5 per cent, maturing from December 2024 to September 2025. The Group also holds interest rate swaps with maturities from January 2024 and swap rates of 1.3 per cent.

25. DEFERRED TAX

The table below presents a reconciliation of the recognised deferred tax balances:

	On investment property £m	On derivative financial instruments £m	On losses carried forward £m	Total £m
Opening balance 1 January 2022	0.1	-	-	0.1
Credit for the year recognised in the income statement (within loss from discontinued operation)	(0.1)	-	-	(0.1)
Foreign currency translation	-	-	-	-
Opening balance 1 January 2023	-	-	-	-
Credit for the year recognised in the income statement (within loss from discontinued operation)	-	-	-	-
Closing balance at 31 December 2023	-	-	-	-

At 31 December 2023, there were unrecognised deferred tax assets of £6.0 million (31 December 2022: £3.9 million) due to carried forward losses in the residual business.

Deferred tax has historically been recognised on the Europe segment as local tax would arise on disposal of property and settlement of the derivatives, irrespective of the UK REIT status of the Group. As the Group has disposed of the final European investment property, no deferred tax remains.

26. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
	£m	£m
Amounts payable to related parties (Note 32)	0.4	5.1
Rent received in advance	3.3	3.6
Trade payables	0.2	-
Finance expense accruals	0.6	0.5
VAT payable	4.6	0.6
Accruals	4.5	5.4
Deferred service charge income	0.3	0.3
Other sundry payables	0.6	0.2
Total current trade and other payables	14.5	15.7

27. PROVISIONS

	31 December 2023	31 December 2022
	£m	£m
Provisions	7.6	-
Total provisions	7.6	-

At 31 December 2023, the Group had recognised provisions of £7.6 million related to future works replacing cladding on certain hotels in the UK Hotels portfolio.

28. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Authorised share capital £m
Authorised		
At 31 December 2022 and 31 December 2023 (ordinary shares of 40.0 pence each)	600,000,000	240.0

	Number of shares	Share capital £m	Share premium £m
Issued, called up and fully paid			
At 1 January 2022	381,471,041	152.6	534.9
At 31 December 2022	381,471,041	152.6	534.9
At 31 December 2023	381,471,041	152.6	534.9

The ordinary shares have attached to them full voting, dividend and capital distribution rights (including on winding up). They do not confer any rights of redemption.

Share transactions

No share transactions took place in the year to 31 December 2023.

29. RESERVES

Foreign currency translation reserve

The foreign currency translation reserve at 31 December 2023 of £14.8 million (31 December 2022: £14.3 million) represents exchange differences arising from the translation of the Group's net investment in foreign operations, including both subsidiary and joint venture interests.

30. CASH GENERATED FROM OPERATIONS

		Year ended 31 December 2023	Year ended 31 December 2022
	Note	£m	£m
Continuing operations			
Cash flows from operating activities			
Profit/(loss) before tax		32.2	(27.5)
Adjustments for:			
Straight lining of rental income		0.1	-
Depreciation	19	0.3	0.3
Share-based payments	32	0.7	-
(Gain)/loss on revaluation of investment property	9	(22.7)	65.8

Gain on disposal of investment property	9	(1.7)	(7.2)
Loss on disposal of investment property held for sale	10	4.3	-
(Gain)/loss on disposal of subsidiaries	8	(0.9)	0.5
Foreign exchange loss/(gain)		0.1	(0.1)
Finance income	11, 13	(6.1)	(0.1)
Finance expense	12, 13	21.6	16.5
Change in fair value of derivative financial instruments		8.7	(14.1)
Impairment reversal of loan to continuing joint venture interest	14	-	0.4
Share of post-tax profit from associate	15	-	(2.2)
		36.6	32.3
Changes in working capital		(3.7)	(1.7)
Cash generated from operations		32.9	30.6

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Basis for determining fair values

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of financial instruments that are traded in active markets is based on quoted market prices or dealer price quotations. For all other financial instruments, the Group uses valuation techniques to arrive at a fair value that reflects a price that would have been determined by willing market participants acting at arm's length at the reporting date. For common and simple financial instruments, such as over-the-counter interest rate swaps and caps, the Group uses widely recognised valuation models for determining the fair value. The models use only observable market data and require little management judgement which reduces the uncertainty associated with the determination of fair values. For other financial instruments, the Group determines fair value using net present value or discounted cash flow models and comparisons to similar instruments for which market observable prices exist. Varying degrees of judgement are required in the determination of an appropriate market benchmark. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, foreign currency exchange rates and expected price volatilities and correlations. Availability of observable market prices and inputs vary depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The tables below present information about the Group's financial instruments carried at fair value as of 31 December 2023 and 31 December 2022.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total fair Value
	£m	£m	£m	£m
31 December 2023				
Financial assets				
Derivative financial assets (Note 24)	-	5.0	-	5.0
	-	5.0	-	5.0
31 December 2022				
Financial assets				
Derivative financial assets (Note 24)	-	13.7	-	13.7
	-	13.7	-	13.7

Derivative financial instruments have been categorised as 'Level 2', as although they are priced using directly observable inputs, the instruments are not traded in an active market.

As stated in Note 9 and Note 10, the Group considers investment property, including held for sale assets, to be categorised as 'Level 3'. The fair value of loans to joint ventures is presented in Note 14 and this financial asset is classified as 'Level 3'. The Group considers floating rate borrowings to be categorised as 'Level 2' and fixed rate borrowings as Level 3, the fair value adjustment on fixed rate borrowings is disclosed therein. Lease obligations are classified as 'Level 3', the fair value of which is presented in Note 23.

The carrying values of trade and other receivables, cash and cash equivalents and trade and other payables are considered to be a reasonable approximation of fair value due to the short-term nature of these balances.

32. RELATED PARTY TRANSACTIONS

Related parties of the Group include: associate undertakings; joint ventures; Directors and key management personnel; connected parties; the major shareholder; as well as entities connected through common directorships.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Revenue transactions		
Rental income (Note 4)		
Gross lease payments from RBH	28.8	18.3
Lease incentive contributions to RBH	(4.1)	(3.3)
	24.7	15.0
Rental expense (Note 4)		
Office Space In Town (OSIT) rental expense charges	-	(0.1)
Office Space Cleaning Company Limited cleaning fees	-	(0.3)
	-	(0.4)
Administration costs and other fees (Note 6)		
OSIT investment management fees	-	(0.3)
Loss on disposal of subsidiaries		
Sale of LSO group to OSIT	-	(3.4)
Other finance expense (Note 14)		
Impairment on loan to joint venture Twenty Six The Esplanade	-	(0.4)
Total revenue transactions	24.7	10.5
Capital transactions		
Investment in associate (Note 15)		
Dividends received from RBH	0.8	0.2
Non-controlling interests (Note 17)		
Dividends paid to OSIT	-	(7.2)
Total capital transactions	0.8	(7.0)

32. RELATED PARTY TRANSACTIONS (CONTINUED)

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Related party transactions with equity holders of the Parent		
Funds controlled by Starwood Capital Group – cash dividends	38.0	96.0
Total related party transactions with equity holders of the Parent	38.0	96.0
Related party balances		
Trade and other receivables (Note 20)		
RBH – tenant lease incentives	2.0	2.8
OSIT – other accounts receivable	-	1.8
Tsogo Sun Hotels Limited – Outstanding loan and interest	-	1.1
	2.0	5.7
Trade and other payables (Note 26)		
Enderle International Limited – trading loan	(0.1)	(2.9)
Tsogo Sun Hotels Limited – trading loan and interest	(0.3)	(2.2)
	(0.4)	(5.1)
Total related party balances	1.6	0.6

OSIT

Office Space In Town (OSIT) indirectly held a 20 per cent non-controlling interest in the LSO portfolio up until the voluntary liquidation of the remaining subsidiary in June 2023. Office Space Cleaning Limited was also considered a related party as it is a controlled subsidiary of OSIT.

During the period to 31 December 2023 St Dunstan's Holdco declared no dividends to OSIT as non-controlling interests of the Group (31 December 2022: £7.2 million). At liquidation, the related party receivable with OSIT was settled through the redemption of the non-controlling interest shares held in the entity. At that point in OSIT was no longer considered a related party.

RBH

Enderle International and Tsogo Sun Hotels hold a 17.5 per cent and 25.9 per cent non-controlling interest in Redefine Hotel Holdings Limited (RHHL) and IHL Holdco Limited respectively. They have provided operational funding to RBH via loans advanced directly to RHHL and IHL. At 31 December 2023 the Enderle International loan to RHHL was £0.1 million (31 December 2022: £2.9 million) and the Tsogo Sun loan to IHL was £0.3 million (31 December 2022: £2.2 million).

Directors remuneration

Of the 4 directors that served during the year, 1 was remunerated by the Company (2022: 2) and the amounts included below are those relating to their services as directors for the Company.

Remuneration paid to directors of the Company was:

	31 December 2023 £m	31 December 2022 £m
Emoluments	1.1	1.1
	1.1	1.1

33. SHARE-BASED PAYMENTS

	31 December 2023 £m	31 December 2022 £m
Share-based payment reserve		
Opening balance	-	-
Expense for the year	0.7	-
Closing balance	0.7	-

In June 2022, certain employees of the Group were granted shares in SOF-12 Cambridge BidCo Limited (BidCo) at £0.0001 per share. The shares were granted with conditions to sell the shares to BidCo's parent at a price determined by the incentive plan agreement. This price is determined by the internal rate of return generated by the successful disposal of the Group's portfolio of assets above a threshold of 12 percent.

The Group recognises a share-based payment expense based on the fair value of the shares granted, and an equivalent credit directly in equity as a capital contribution.

The shares vest over the period from grant date until the settlement date, anticipated to be 30 June 2025, according to the terms in the incentive plan agreement. At 31 December 2023, 550 of the 1000 shares granted (35%) had vested. An additional 5% of shares vest each quarter until the settlement date when the remaining 20% of shares vest. As shares vest in quarterly tranches, the expense for the year has been recognised by applying the graded vesting method as required by IFRS 2.

The assessed fair value at grant date was £0.8 million or £839.48 per share. The fair value at grant date is determined according to the settlement terms in the incentive plan agreement using the probability weighted expected returns method.

The average remaining life of the shares is two years and 6 months.

The model input for the shares granted during the year ended 31 December 2023 reflects:

- a) Grant date: 27 June 2022
- b) Settlement date: 30 June 2025
- c) Anticipated internal rate of return on disposal of portfolio: 12.1% - 17.9%
- d) Expected volatility: 9.1%
- e) Risk free rate: 1.9%
- f) Discount rate: 25%

34. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following financial risks through its operations:

- credit risk;
- liquidity risk; and
- market risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The following quantitative and qualitative disclosures describe the Group's objectives, policies and processes for measuring and managing these risks, in addition to the Group's management of capital.

The Group's risk management policies require the identification and analysis of the risks faced by the Group, the setting of appropriate risk limits and controls and the monitoring of risks and adherence to limits. Risk management policies and systems are reviewed regularly and adjusted to reflect changes in market conditions and the Group's activities.

The Group's Board of Directors has responsibility for the establishment and oversight of the Group's risk management framework. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility and ability to maximise returns. The Board oversees management's compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework relative to the risks faced by the Group.

There are no significant concentrations of risk and there has been no significant change during the year to the types of financial risks faced by the Group or the Group's approach to the management of such risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets, together with off balance sheet undrawn commitments, represent the Group's maximum credit risk exposure. The maximum exposure to credit risk at the current and comparative reporting dates is set out in the following table.

	31 December 2023	31 December 2022
	£m	£m
Trade and other receivables (gross)	16.0	9.7
Expected credit losses	(0.1)	(0.1)
	15.9	9.6
Cash and cash equivalents	34.7	22.1
Credit risk on balance sheet	50.6	31.7
Total credit risk	50.6	31.7

Prepayments, letting costs and lease incentives are excluded from trade and other receivables as these balances are not exposed to credit risk. At 31 December 2023 this includes prepayments of £2.3 million, gross letting costs of £0.5 million and gross lease

incentives £11.7 million (31 December 2022: prepayments of £2.0 million, letting costs of £1.1 million and lease incentives £10.3 million).

Cash and cash equivalents

Credit risk arises on the Group's holding of assets such as cash and cash equivalents and deposits with banks or financial institutions. The Group limits such exposure by investing in liquid deposits with material counterparties that have a credit rating of A, A2 or above from Standard & Poor's or Moody's, except where specific exemptions are granted by the Board.

	2023	2022	Total	Total
Counterparties	Credit	Credit	31 December	31 December
	rating	rating	2023	2022
			£m	£m
Cash and cash equivalents:				
HSBC	A1	A1	32.6	15.5
NatWest	A1	A1	1.7	4.0
Bayern LB	Aa3	Aa3	-	0.1
Santander	A1	A1	11.8	2.0
Other			0.3	5.3
Total cash and undrawn commitments			46.4	26.9
Of which is classified as				
Cash and cash equivalents			34.7	22.1
Other receivables			11.7	4.8

Included in the above monitoring of credit risk for cash and cash equivalents is £11.7 million in a restricted deposit account that has been classified as an other receivable (2022: £4.8 million).

The Group actively monitors its credit exposure to each counterparty and in dealing with high quality, reputable and long-established institutions, management do not expect any counterparty will fail to meet its obligations.

Trade and other receivables

The Group is exposed to credit risk from lease contracts in relation to its property portfolio. This risk is actively managed by the asset and property managers who continuously monitor and work with tenants, anticipating and wherever possible, identifying and addressing risks prior to default. The credit risk associated with rent receivables and tenant lease incentives has historically been considered low (owing to the long-term nature and diversity of the Group's tenancy agreements, credit checks performed prior to inception of a material lease, advanced payments made by tenants (or licencees) and deposits or guarantees received).

Trade receivables exposed to credit risk were 5.0 per cent of net assets at 31 December 2023 (31 December 2022: 0.0 per cent).

The Group's bad debt policy is as follows:

If there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of the lease, a specific impairment is made. The Group also makes a general loss allowance of 25 per cent against all receivables 120 days or more past due that have not been specifically impaired. Provisions are made on the net outstanding receivable balance, excluding VAT. At 31 December 2023, specific provision requirements against doubtful debts were subject to thorough review by both the asset and property managers, with regard for the aging of the debt, the sector of the tenant and any rent concessions granted to the reporting date.

To comply with the provisions of IFRS 9, the Group assesses on a forward-looking basis the lifetime expected credit losses associated with its trade receivables. To measure the expected credit losses, trade receivables are grouped based on credit risk characteristics, being the sector of the tenant and the days past due. Insofar as the resulting provision requirements are materially in line with the provisions calculated under the Group's established bad debt policy, no loss allowance adjustments are made.

As at 31 December 2023, the expected loss rate considered appropriate for the UK Commercial sector was 50 per cent of net accounts receivable over 5 months past due.

The expected loss rate considered appropriate for the UK Commercial sector was 30 per cent of accounts receivable between one and five months past due. While this sector has shown resilience in uncertain market conditions, the loss rate that has been applied to UK Commercial factors a number of specific tenant failures, rent concessions that were still under negotiation at the reporting date and the reduced likelihood of recovery of the aged receivable based on historic payment profiles.

As at 31 December 2023, there was no material difference between the cumulative bad debt provision balance based on the Group's bad debt policy (£0.2 million) and total expected credit losses as required under IFRS 9 of £0.4.

The assessment of expected credit losses (in line with IFRS 9) associated with the Group's accounts receivable by segment at 31 December 2023 and at 31 December 2022, are set out in the tables below:

	Current £m	1-2 months £m	2-3 months £m	3-4 months £m	4-5 months £m	5+ months £m	Total accounts receivable £m
31 December 2023							
Accounts receivable subject to credit loss assessment							
Loss rate (%)		30%	30%	30%	30%	50%	
UK Commercial – Gross accounts receivable	1.9	0.2	0.7	-	-	0.3	3.1
<i>UK Commercial – Net accounts receivable (excl. VAT)</i>	1.6	0.2	0.6	-	-	0.2	
UK Commercial – Loss allowance	-	(0.1)	(0.2)	-	-	(0.1)	(0.4)
Other accounts receivable by portfolio							
UK Hotels							-
Other							-
Total accounts receivable							2.7

	Current £m	1-2 months £m	2-3 months £m	3-4 months £m	4-5 months £m	5+ months £m	Total accounts receivable £m
31 December 2022							
Accounts receivable subject to credit loss assessment							
Loss rate (%)		30%	30%	30%	30%	50%	
UK Commercial – Gross accounts receivable	0.7	-	-	-	-	-	0.7
<i>UK Commercial – Net accounts receivable (excl. VAT)</i>	0.6	-	-	-	-	-	
UK Commercial – Loss allowance	-	-	-	-	-	-	-
Other accounts receivable by portfolio							
UK Hotels							-
Other							-
Total accounts receivable							0.7

Loans to joint ventures

The credit risk associated with loans to joint ventures is the risk that the loans advanced may not be recoverable. As at 31 December 2023, the loan has been fully impaired. See note 14.

Reconciliation of loss allowances

A reconciliation of the movements in loss allowances against each financial asset subject to impairment from prior year-end to the reporting date is set out in the following table:

	Tenant lease incentives £m	Rent and other accounts receivable £m	Service charge receivable £m	Total £m
31 December 2022	3.4	0.1	-	3.5
Charge for the year	1.2	0.4	0.5	2.1
Utilised/released	(1.9)	(0.4)	(0.4)	(2.7)
31 December 2023	2.7	0.1	0.1	2.9

Liquidity risk

Liquidity risk arises from the Group's working capital and debt servicing obligations. The below disclosure considers the risk that the Group will encounter difficulties in meeting its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that there will always be sufficient resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk is actively managed by the Group's finance department. Twice a month, management receive and review rolling six-month cash flow projections to ensure that there is sufficient headroom in the near term to meet ongoing operational requirements and upcoming capital commitments.

The monitoring of liquidity is also assisted by the quarterly review of covenants imposed by financial institutions, such as loan to value and interest cover ratios. Loans are renegotiated in advance of any potential covenant breaches insofar as the factors are within the control of the Group. The Board will ensure during periods of increased market uncertainty that sufficient cash resources are available for potential loan repayments or cash deposits as may be required by financial institutions. The Group's loan facilities and other borrowings are also spread across a range of banks and financial institutions so as to minimise any potential concentration of risk.

The tables below set out the contractual maturities of financial liabilities based on the undiscounted obligations to make interest payments and to repay the principal:

	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6 to 12 months £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m
31 December 2023							
Financial liabilities							
Bank and other loans	302.8	(304.7)	-	(37.5)	-	(267.2)	-
Lease liabilities	35.3	(497.8)	(0.7)	(0.7)	(1.5)	(4.4)	(490.5)
Trade and other payables	22.4	(22.4)	(22.4)	-	-	-	-
	360.5	(824.9)	(23.1)	(38.2)	(1.5)	(271.6)	(490.5)

	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6 to 12 months £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m
31 December 2022							
Financial liabilities							
Bank and other loans	316.1	(319.7)	(0.1)	-	(218.8)	(92.1)	(8.7)
Lease liabilities	34.9	(490.1)	(0.7)	(0.7)	(1.4)	(4.4)	(482.9)
Trade and other payables	15.7	(15.7)	(15.7)	-	-	-	-
Tax liabilities	3.6	(3.6)	(3.6)	-	-	-	-
	370.3	(817.4)	(20.0)	(0.6)	(220.1)	(96.0)	(491.6)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its investments in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group enters into derivative financial instruments in the ordinary course of business and incurs financial liabilities in order to manage market risks. The Board of Directors receives reports on a quarterly basis with regards to currency exposure, as well as interest rate spreads and takes the necessary steps to hedge and limit the risk the Group is exposed to. The Group does not apply hedge accounting.

Currency risk

Currency risk arises from the Group's exposure to monetary assets and liabilities in foreign operations recognised in Euro ("EUR").

As can be seen from the table below, the carrying net assets denominated in Euro, and the related foreign currency exposure, declined during the year as a result of the targeted Europe portfolio disposal programme. At 31 December 2023, there were GBP equivalent net liabilities of £4.0 million denominated in Euro, increasing from £2.3 million net liabilities at 31 December 2022. Foreign currency movement exposures on realised investments are managed by converting to Sterling at the earliest opportunity or entering foreign currency forward contracts prior to significant transactions.

The carrying amount of the Group's foreign denominated assets and liabilities were as follows:

	31 December 2023	31 December 2022
	£m	£m
Assets		
EUR	0.1	0.4
ZAR	-	0.1
Liabilities		
EUR	(4.1)	(2.3)

The following exchange rates were applied during the year:

	Average rate		Year end rate	
	2023	2022	2023	2022
EUR	1.152	1.170	1.154	1.130
ZAR	23.053	20.220	23.296	20.592

Sensitivity analysis

A five per cent strengthening in the GBP exchange rate against the EUR at year end would have increased equity by £0.2 million (31 December 2022: £0.1 million) and decreased profit by £0.1 million (31 December 2021: decreased losses by £0.1 million). A five per cent weakening in the GBP exchange rate against the EUR at year end would have had the equal but opposite effect. This analysis assumes that all other variables remain constant.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The Group uses interest rate derivatives to mitigate its exposure to interest rate fluctuations. At the year end, as a result of the use of interest rate swaps and caps, the majority of the Group's borrowings were at fixed interest rates.

	Fixed/capped 31 December 2023	Floating 31 December 2023	Fixed/capped 31 December 2022	Floating 31 December 2022
	£m	£m	£m	£m
Group				
Nominal value of Group bank loans	113.6	191.1	121.9	196.5
Nominal value of joint venture bank loans	-	-	-	7.5
Derivative impact	176.0	(176.0)	176.0	(176.0)
	289.6	15.1	297.9	28.0
Interest rate protection (%)	95.0%		91.4%	

Capital structure and management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between its net debt and capital. The Board's policy is to maintain a strong

capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages the capital structure and takes reasonable steps in light of changes in the economic conditions and the risk characteristics of its underlying business and assets.

The key ratios used to monitor the capital structure of the Group, as presented in the following table, are the loan to value and the interest cover ratios:

		31 December 2023	31 December 2022
	Note	£m	£m
Group (proportionately consolidated)			
Loan to value			
Net debt	22	(258.2)	(298.8)
Market value of total property portfolio	9	583.7	618.5
Loan to value (%)		44.2	48.3
Interest cover			
Net rental income	3	41.0	39.3
Operating lease charges	12	(1.7)	(1.9)
		39.3	37.4
Finance expense (net of swap interest)	11,12	15.1	16.7
Operating lease charges	12	(1.7)	(1.9)
		13.4	14.8
Interest cover (times)		2.9	2.5

The tables above are presented on a proportionately consolidated basis. The ratios are not a requirement of IFRS and are presented for informational purposes only as they are used in reports presented to the Group's Chief Operating Decision Maker for monitoring the Group's capital structure.

35. NET ASSET VALUE PER SHARE

	31 December 2023	31 December 2022
	£m	£m
Net assets attributable to equity holders of the Parent	287.0	300.3
Number of ordinary shares (millions)		
In issue	381.5	381.5
Diluted	381.5	381.5
Net asset value per share (pence):		
- Basic	75.2	78.7
- Diluted	75.2	78.7

36. CONTINGENCIES, GUARANTEES AND COMMITMENTS

A subsidiary of the Group, Redefine Australian Investments Limited (in liquidation) ("RAIL"), has undergone a review by the Australian Tax Office in respect of its calculation of Capital Gains Tax arising on the disposal of securities formerly held by RAIL in Cromwell Property Group during 2013, 2014 and 2015. Having taken professional advice on the matter from reputable and qualified advisers, RAIL has maintained that its tax calculations were correct.

Following the orderly wind-down of RAIL's activities, it was placed into creditors' voluntary liquidation in Ireland in January 2018. In May 2023, the liquidator of RAIL issued a motion in the Irish High Court against RAIL's parent company, Redefine Cyprus Limited ("RCL"), and Brightbay, seeking orders to the effect that a £55.9 million loan repayment made by RAIL to RCL in 2015 be declared invalid and that the monies be returned to RAIL.

Having taken professional advice, the respondents consider that the motion is unlikely to succeed. Accordingly Irish law counsel has been instructed to seek an order from the Irish High Court that the liquidator's proceedings be struck-out.

At 31 December 2023, the Group was contractually committed to expenditure of £0.3 million for the future development and enhancement of investment property (31 December 2022: £0.6 million).

37. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The most immediate entity with control is SOF-12 Cambridge Bidco Limited, a company registered in Guernsey at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL. The ultimate controlling party is Starwood Capital Group.

38. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group purchased a new interest rate swap at a premium of £9.4 million to replace the expiring interest rate swap in January 2024.

On 9 February 2024, the Group completed the disposal of a subsidiary involving one investment property held for sale asset in the UK Hotels portfolio for £4.0 million. The sales price equalled the carrying value of the investment property held for sale on the balance sheet at 31 December 2023.

39. RELATED UNDERTAKINGS OF THE COMPANY

As at 31 December 2023, the Company had an interest (as shown), direct or indirect, in the ordinary share capital of the following subsidiaries, joint ventures and associates. Those undertakings that were in liquidation at the reporting date have not been included.

Subsidiaries

Name of subsidiary/undertaking	Domicile	Principal activity	Segment	Effective ownership	
				2023	2022
				%	%
Redefine International Holdings Limited	Jersey	Holding	Multiple	100	100
Redefine Wigan Limited	British Virgin Islands	Holding	UK Retail	100	100
Ciref Coventry Limited	British Virgin Islands	Holding	UK Retail	100	100
Seaham Wax Limited	British Virgin Islands	Holding	UK Retail	100	100
St George's Harrow Limited	British Virgin Islands	Investment property	UK Retail	100	100
Trito Kwik Fit Limited	British Virgin Islands	Holding	UK Commercial	100	100
Trito Gibson Limited	British Virgin Islands	Holding	UK Commercial	100	100
Gibson Property Holdings Limited	British Virgin Islands	Investment property	UK Commercial	100	100
Ciref Kwik-Fit Stafford Limited	United Kingdom	Investment property	UK Commercial	100	100
Ciref Kwik-Fit Stockport Limited	United Kingdom	Investment property	UK Commercial	100	100
Ciref Jersey Limited	British Virgin Islands	Holding	UK Commercial	100	100
Ciref Europe Limited	Isle of Man	Holding	Europe	99	99
R.I. Waldkraiburg Limited	Cyprus	Holding	Europe	99	99
Ciref Premium Limited	Ireland	General Partner	Europe	-	99
Ciref Premium Holdings Limited	Cyprus	Holding	Europe	93.9	93.9
Ciref Europe Management Limited	Ireland	Holding	Europe	93.9	93.9
Premium Portfolio 2 Ltd & Co. KG	Germany	Investment property	Europe	-	93.9
Kalihora Holdings Limited	Cyprus	Holding	Europe	100	100
Redefine International Management Holdings Limited	British Virgin Islands	Holding	Other	100	100
Brightbay Management Services Limited	United Kingdom	Services Company	Other	100	100
Redefine International Fund Managers Europe Limited	British Virgin Islands	Services Company	Other	100	100
RDI Serviced Offices Limited	Isle of Man	Holding	UK Commercial	100	100
St Dunstan's Holdco Limited	Isle of Man	Holding	UK Commercial	-	100
Redefine AUK Limited	British Virgin Islands	Holding	Multiple	100	100
Redefine AUK Holdings Limited	British Virgin Islands	Holding	Multiple	100	100
Redefine Camino Park Crawley Limited	British Virgin Islands	Investment property	UK Commercial	100	100
Redefine Express Park Bridgwater Limited	British Virgin Islands	Investment property	UK Commercial	100	100
Redefine Kingsthorpe Kettering Limited	British Virgin Islands	Investment property	UK Commercial	100	100
Redefine North Street Limited	British Virgin Islands	Investment property	UK Commercial	100	100
Newington House Limited	British Virgin Islands	Investment property	UK Commercial	100	100
Wichford Zeta Limited	Isle of Man	Holding	Multiple	100	100
RDI Bicester Limited	Isle of Man	Investment property	UK Commercial	100	100
Wichford Atherton Wigan Limited	Isle of Man	Investment property	UK Commercial	100	100
Wichford Dalkeith Limited	Isle of Man	Investment property	UK Commercial	100	100
Wichford DSA Dundee Limited	Isle of Man	Investment property	UK Commercial	100	100
Wichford DSA Uxbridge Limited	Isle of Man	Investment property	UK Commercial	100	100
Wichford Gillingham Limited	Isle of Man	Investment property	UK Commercial	100	100
Wichford Newington Causeway Limited	Isle of Man	Investment property	UK Commercial	100	100
Wichford Weymouth Limited	Isle of Man	Investment property	UK Commercial	100	100
RDI Farnborough Limited	Isle of Man	Investment property	UK Commercial	100	100
Redefine Share Investments Limited	Isle of Man	Holding	Multiple	100	100
IHL Holdco Limited	British Virgin Islands	Holding	UK Hotels	74.1	74.1
International Hotel Properties Limited	British Virgin Islands	Holding	UK Hotels	74.1	74.1

Redefine Dunstable Limited	British Virgin Islands	Holding	UK Hotels	74.1	74.1
Dunstable PropCo Limited	United Kingdom	Investment property	UK Hotels	74.1	74.1
Forest Bidco Limited	British Virgin Islands	Holding	UK Hotels	74.1	74.1
Edinburgh PropCo Ltd	British Virgin Islands	Investment property	UK Hotels	74.1	74.1
Splendour BidCo Limited	British Virgin Islands	Holding	UK Hotels	74.1	74.1
Southampton Propco Limited	British Virgin Islands	Investment property	UK Hotels	-	74.1
Redditch PropCo Limited	British Virgin Islands	Investment property	UK Hotels	74.1	74.1
Gatwick Propco Limited	British Virgin Islands	Investment property	UK Hotels	74.1	74.1
Redefine Belvedere Limited	British Virgin Islands	Investment property	UK Hotels	74.1	74.1
Redefine Leatherhead Limited	British Virgin Islands	Investment property	UK Hotels	74.1	74.1
Redefine Perth Limited	British Virgin Islands	Investment property	UK Hotels	74.1	74.1
Redefine Slough Limited	British Virgin Islands	Investment property	UK Hotels	74.1	74.1
RDI Kingston Limited	Isle of Man	Investment property	UK Commercial	100	100
RDI Hotel Group Limited	Isle of Man	Holding	UK Hotels	100	100
Redefine Hotel Holdings Limited	British Virgin Islands	Holding	UK Hotels	82.5	82.5
Redefine Hotels Portfolio 2 Limited	British Virgin Islands	Investment property	UK Hotels	82.5	82.5
Redefine Hotels Portfolio III Limited	British Virgin Islands	Investment property	UK Hotels	82.5	82.5

Subsidiaries (Continued)

Name of subsidiary/undertaking	Domicile	Principal activity	Segment	Effective ownership	
				2023	2022
				%	%
Redefine Hotels Portfolio IV Limited	British Virgin Islands	Investment property	UK Hotels	82.5	82.5
Redefine Hotels Portfolio V Limited	British Virgin Islands	Investment property	UK Hotels	82.5	82.5
Redefine Hotels Reading Limited	British Virgin Islands	Investment property	UK Hotels	82.5	82.5
BNRI Earls Court Limited	British Virgin Islands	Investment property	UK Hotels	82.5	82.5
Redefine Hotels Edinburgh Limited	British Virgin Islands	Investment property	UK Hotels	82.5	82.5
Redefine Enfield Limited	British Virgin Islands	Investment property	UK Hotels	100	100
Everton Shopping Centre S.à.r.l	Luxembourg	Holding	Europe	100	100
Brightbay Real Estate Partners Limited	United Kingdom	Holding	Other	100	100
Redefine Cyprus Limited	Cyprus	Holding	Other	100	100

Joint ventures

Name of Joint Venture	Domicile	Principal Activity	Segment	Effective ownership	
				2023	2022
				%	%
TwentySix The Esplanade Limited	British Virgin Islands	Holding	UK Commercial	50.0	50.0
26 Esplanade No1 Limited	Jersey	Investment property	UK Commercial	50.0	50.0

Associate

Name of associate	Domicile	Principal Activity	Segment	Effective ownership	
				2023	2022
				%	%
RBH Hotel Group Limited	British Virgin Islands	Holding	UK Hotels	27.4	27.4
RBH Hotels UK Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4
RBH Hospitality Management Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4
Hotel Lease (Number 2) Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4
Hotel Employees Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4
RBH Hotel Management Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4
RBH Earls Court Management Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4
IHL Tenant Holdco Limited	United Kingdom	Holding	UK Hotels	27.4	27.4
The Gateway Hotel Dunstable Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4
Southampton OpCo Limited	United Kingdom	Hotel Operator	UK Hotels	-	27.4
Sankara Hotels Gatwick Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4
Redditch OpCo Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4
Edinburgh OpCo Limited	United Kingdom	Hotel Operator	UK Hotels	27.4	27.4