GLENSTONE REIT

glenstonereit.co.uk

Annual Report and Financial Statements

For the year ended 31 March 2023

Glenstone REIT plc - Company Number: 00986343


OFFICIAL WATCHES

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Chairman and Managing Director's statement and strategic report

Introduction

The financial year 2023 will be best remembered as a year of two halves. The first half of the year was a period of recovery and stability following the pandemic, conversely, the second half of the year encompassing the mini-budget and the subsequent continued interest rate rises resulted in greater uncertainty.

This uncertainty has enabled the executive team to acquire a number of off-market opportunities. The assets acquired will enhance the return to shareholders.

The strategy of becoming a diversified sustainable REIT and our excellent in house management has resulted in a small valuation increase and an increase in the PID. Over the financial period the Company has outperformed its peers.

During the year our debt levels were reduced following the opportunistic early repayment of the fixed term Lloyds loan of £10m, for a sum £9.35m. The gearing is now at its lowest since 2007.

The sustainability of property continues to come under the spotlight and the team monitor this closely. We will touch on this later on in the report.

Chairman and Managing Director's statement and strategic report

Asset Valuation

The portfolio was valued by Lambert Smith Hampton, as at 31 March 2023, and on a like for like basis resulted in a 0.2% increase (2022: 7.7% increase) when compared to the prior year. The Board deem this a success considering the effect interest rate rises have had on property values.

Owing to the current size of Glenstone REIT and the standard market practice of granting lease incentives, the Board this year have adopted the approach of reducing the assessed fair value of investment property by the carrying amount of any accrued income resulting from the spreading of lease incentives across the corresponding lease term. This adoption has resulted in a £0.99m reduction to the carrying value of investment property in FY2023.

Investments

Alternative Income REIT plc (AIRE)

During the year, no further investments in non-direct property were made. The company's brought forward and carried forward investment in AIRE therefore remained the same at just over 25%.

The blended cost per share totals 64.7p, with the 31 March 2023 bid price being 66.4p. Compared to the prior year bid price of 76.6p this has resulted in an revaluation decrease of £2.06m this year. In the prior year we reported a £2.00m increase.

The net asset value of AIRE totals 83.5p as at 31 March 2023, 23% above Glenstone's cost price.

AIRE's property assets provide long- dated, index linked income which is complimentary to the Glenstone portfolio and provides further diversification across the UK. The income return is 8.8% and 100% of this is distributed to shareholders.

Loans

The prior year's outstanding loan of £2.1m, during the year was part repaid. The outstanding balance of £1.15m is due to be fully repaid in the first half of next financial year.

It is no longer within the Company's investment policy to invest in such instruments.

Chairman and Managing Director's statement and strategic report

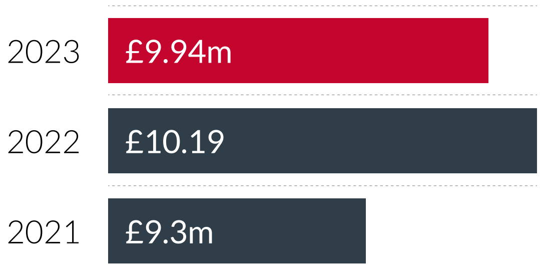
Financial Performance

The Board regularly monitors key performance indicators (KPI's), and these are set out below:

Income

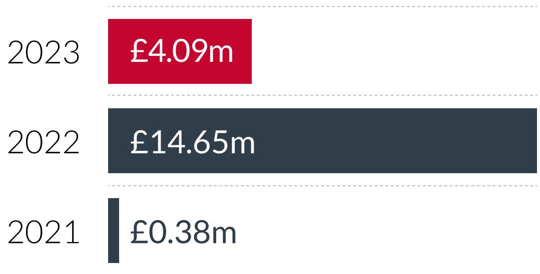
Total income decreased by 2.5% to £9.94m (2022: £10.19m).

Of which, rental and other property related income decreased to £8.66m, down from (2022: £9.06m). Income from dividends and finance increased to £1.28m, (2022: £1.13m).



Profit

The headline profit before taxation was £4.09m (2022: £14.65m). The increase in the prior year was largely due to valuation gains.

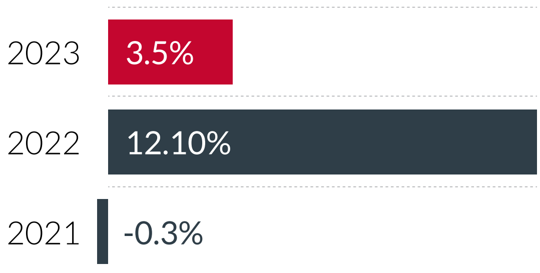


Total Return

The total return to shareholders over the 12 months to 31 March 2023 was 3.5% (2022: 12.1%).

Total return is calculated by taking the increase in net asset value, adding the property income distributions and dividing the sum by the prior year net asset value.

Total return, has been selected as a KPI as it takes into consideration not only the distribution delivered to shareholders but also any growth or contraction in net asset value, of which the property valuation is a key determinant. The average of the last 3 years is 5.1%.

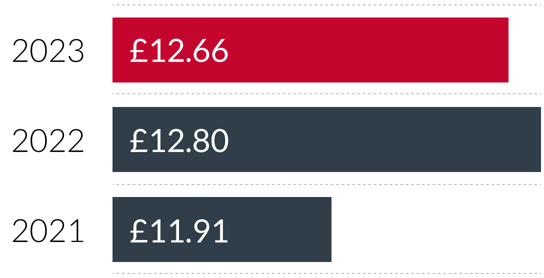


Chairman and Managing Director's statement and strategic report

Net Asset Value

The main drivers of change in the net asset value ("NAV") are realised and unrealised valuations gains.

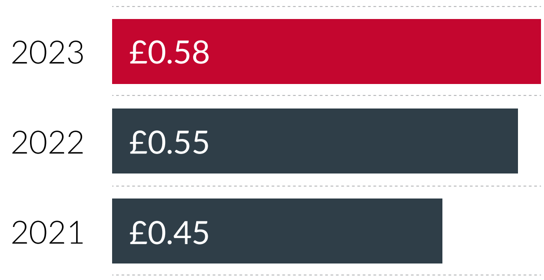
The realised gain from property sales was £0.36m (2022: £1.43m). This year's unrealised revaluation gain was £0.23m (2022: £8.47m). The net valuation gain was £0.59m (2022: £9.9m). The resultant NAV per share at the year-end was £12.66 (2022: £12.80) a decrease of 1.1% (2022: increase 7.5%).



Property Income Distribution ('PID')

A minimum of 90% of the rental income profit must be distributed in the form of a PID.

The total PID for the year ended March 2023 is 58p (2022: 55p). The final interim payment was made on 7 July 2023. This is an increase of 3p (5.5%) on the previous year.



Chairman and Managing Director's statement and strategic report

Property Update

2022/2023 has been another year of continued portfolio realignment and strong asset management success.

Asset movement year- on- year:

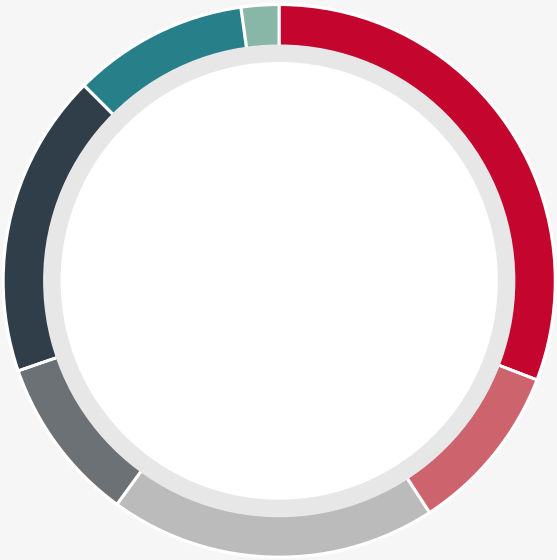
Classification of Assets	31-Mar-22	Disposal Book Value	Acquisitions & Improvements	Revaluation	31-Mar-23
Industrial	£41.14m		£4.67m	£0.02m	£45.83m
Residential	£19.53m	-£4.90m	£0.01m	£0.33m	£14.97m
Retail	£32.40m	-£3.88m		£0.17m	£28.69m
Retail Warehouse	£13.18m		£1.84m	-£0.04m	£14.98m
Other Commercial	£29.93m	-£5.71m	£2.40m	-£0.24m	£26.38m
Property	**£136.18m**	**-£14.49m**	**£8.92m**	**£0.24m**	**£130.85m**
Investments					
AIRE	£15.44m			-£2.06m	£13.38m
Loans	£2.10m	-£0.95m			£1.15m
	£17.54m	**-£0.95m**		**-£2.06m**	**£14.53m**
Totals	£153.72m	-£15.44m	£8.92m	-£1.82m	£145.38m
Cash	£4.85m				£2.47m
Total (incl. cash)	**£158.57m**				**£147.85m**

Chairman and Managing Director’s statement and strategic report

Property Update

Capital value classification of assets by sector

- Industrial - **31%**
- Residential - **10%**
- Retail - **19%**
- Retail Warehouse - **10%**
- Other commercial - **18%***
- Investments - **10%**
- Cash - **2%**



** includes Pubs, Leisure, Offices and Fuel*

The team continue to reduce the Company’s exposure to unpredictable capital outlays and expenditure by reinvesting in institutional assets that are less management intensive. As a reminder all our assets can now be found on our website, on the interactive map.

The portfolio at year end consisted of 76 assets. We will continue to analyse and review all sectors of the market, allocating capital appropriately between sustainable and growth sectors.

As per last years’ update a quarter of the portfolio’s rent reviews are linked to CPI/RPI with fixed uplifts. This figure rises to one third of all income received after taking into consideration our investment in AIRE. Of course, it is hoped that the remainder of the portfolio, on open market rent reviews, will seek the advantage of on-going inflation. Overall, the Board believe this presents a good blend of both index linked and open market reviews.

Chairman and Managing Director's statement and strategic report

Sales

In the year we sold 12 properties for a total sales price of £15.40m, realising a profit above book value of £0.36m.

Parkway House, East Sheen

£5.5m

3.4%

The sale of Parkway House for £5.5m, East Sheen, in the summer of 2022 proved timely as a period of economic uncertainty and the numerous interest rate rises that followed have dampened the investment appetite. Significant capital expenditure was also required to keep pace with the flight to quality within the office sector. Furthermore, the property was not permitted for residential change of use. As with all of our assets various IRR scenario's were modelled with the prospect of holding the asset, highlighting minimal returns.

On a smaller scale, the 1970s Wellighton House in Newmarket was sold at the same time, as a result of predicted headwinds. Non-core retail assets, located in Scarborough, Clacton, Petersfield and Melton Mowbray were sold. The high streets in these towns continue to underperform.

With reference to our residential portfolio, the steady stream of regulatory constraints has meant that we have continued to dispose of our of low yielding, capital and management intensive assets.

The above includes the disposal of our last two houses of multiple occupancy (HMO's). Both assets combined were producing a net yield of below 3.5%.

This year sales of residential assets totalled £4.9m and further residential sales are planned. The Board have identified up to £15m of potential sales for the financial year to 31 March 2024 and it is our intention to reinvest this when opportunities arise.

Chairman and Managing Director’s statement and strategic report

Acquisitions

Throughout 2022 the executive team acquired four investment properties, three of which were off-market for a combined acquisition cost of £8.81m, returning a blended net initial yield of 7%.

Units 3 & 4 Rutherford Way, Daventry

£1.5m

6.5%

An off-market transaction was concluded with JRM Group on a sale and leaseback basis, with JRM Group agreeing a new 15 year unbroken lease.

The property was purchased for £1.5m providing a net initial yield of 6.5%. The property operates as the JRM company HQ whom have been in occupation for the past 11 years.

Daventry is a popular logistics hub and the commencing rent of £5.50 per sq.ft. allows for future rental growth.

Chairman and Managing Director's statement and strategic report

Acquisitions

SEAT (VW), Star City, Birmingham

£2.25m

6.4%

A highly prominent car show room adjacent to the City's hugely popular Star City mixed use leisure complex, was acquired off-market from Savills Investment Management. The property was purchased for £2,250,000 reflecting a net initial yield of approximately 6.40%, rising to 7% on the settlement of the outstanding rent review. The property is let to Volkswagen Group United Kingdom Limited on FRI terms until 2027, with a sub-lease to Vertu, trading under the Seat brand. The asset represents a highly desirable commercial location with alternative occupational uses.

Halfords & Dreams, Nuneaton

£1.73m

9.0%

Glenstone purchased a prominent retail warehouse in Nuneaton, let to Halfords Ltd (71%) and Dreams Ltd (29%) on leases until 2026. The acquisition forms part of Glenstone's strategy in acquiring prominent assets that mirror vacant possession and rebuild value. Nuneaton as a town has a limited supply of retail warehousing, therefore occupier demand remains resilient. The property was purchased from Columbia Threadneedle Investments.

Chairman and Managing Director's statement and strategic report

Acquisitions

FMG Repair (Northgate Vehicle Hire Services), Milton Keynes

£2.75m

6.3%

A freehold industrial warehouse in Milton Keynes, that was purchased off-market from AEW UK REIT. The property is let to FMG Repair Services Ltd with eight years left on the lease (three until the tenant break). The lease is guaranteed by Northgate Vehicle Hire Services. The estimated rental value of the property is considered to be highly reversionary, where a considerable uplift is predicted upon review or renewal. Milton Keynes is the principle industrial and logistics location in the southern M1 corridor, as well as forming part of the Cambridge and Oxford Arc.

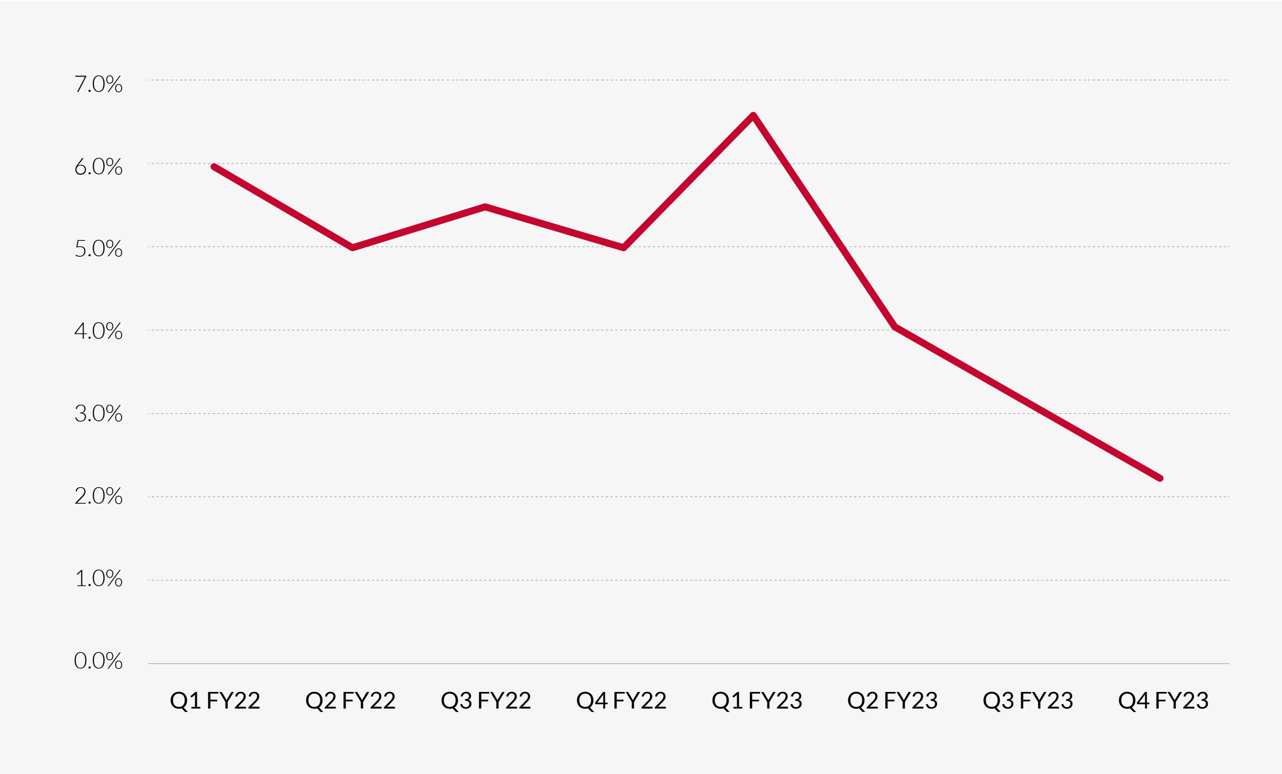
Ben Green, Managing Director

"2022/2023 has been another successful and progressive year for Glenstone. This is highlighted by team's ability to protect the net asset value in a falling property market.

I am hugely encouraged that we have been able to increase the distribution (PID), as predicted in last year's report.

Moving forward into next year, it remains my target to continue to improve the PID. There are however well documented macroeconomic head winds that will inevitably apply additional pressure to this ambition."

Voids and Rental Bad Debts



As highlighted in the previous years' report, we were confident of our void level improving. The above chart evidences this achievement, with the latest void rate standing at 2.2%. This reiterates the important nature of asset and tenant selection. There have been no significant rental bad debts this year. The provision for 2023 totalled £1,295 (2022 - £21,755).

Portfolio Energy Performance Certification

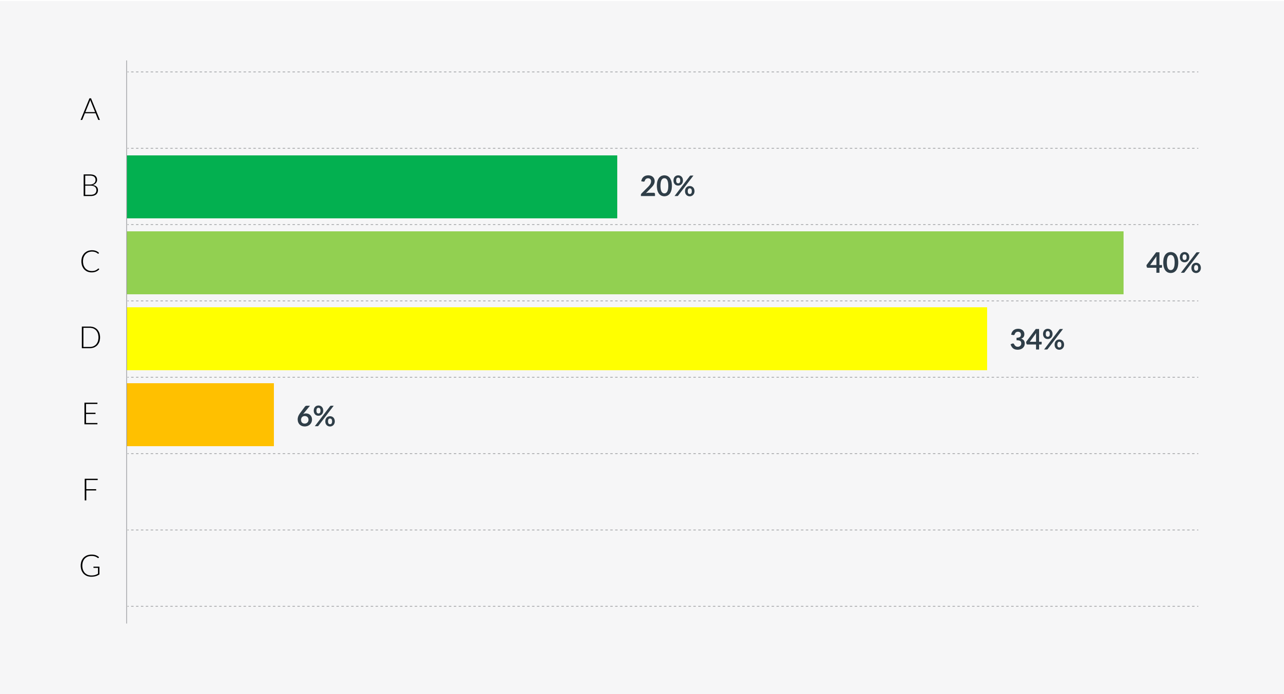
In accordance with government guidelines, we have undertaken a programme to ensure our assets meet the UK statutory regulations and timeframes for EPCs. Previously all residential assets required an EPC rating of at least an E, a change that came into place on 1 April 2020. The regulation now also includes commercial property since 1 April 2023.

We will continue to work with our tenants, upgrading the energy performance when required. An overview of the asset EPC ratings across the portfolio is noted below, showing the percentage of properties that fall into each category.

The re-alignment of the portfolio over the last few years has had positive impact on the ratings, outlined on the next page.

Chairman and Managing Director's statement and strategic report

EPC Ratings



EPC ratings expressed as a % based on valuation.

Rob Maybury, Finance Director

"The financial year of 2023 will be remembered as the year of interest rate rises and inflation levels not seen for a generation of investors.

Subsequently mid-way through the year I took the decision to lower our gearing whilst banking a significant gain on the repayment of our Lloyds bank loan.

As the cost of borrowing continues to increase we are well positioned with half of our debt fixed at 3.5% until 2027.

Our gearing at year end stood at 18%, the lowest since 2007, whilst our distribution to shareholders (PID) was the joint highest since merger."

Chairman and Managing Director's statement and strategic report

Banking

The Group has total facilities of

£40.0m

Lloyds Bank

- £15m revolving facility expiring at the end of 2024. The rate of interest is based on the Sterling Overnight Indexed Average (SONIA), which has replaced LIBOR. The rate is compounded 5 days in arrears, plus a credit adjustment spread and a margin of 2.20%. The facility was undrawn at year end.

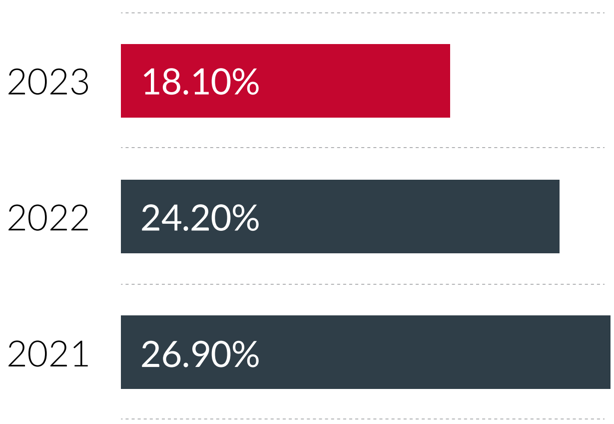
When fully drawn 56% of the funding is at fixed interest rates.

Handelsbanken

- £24.5m of term loans expiring in 2027 and 2028. £10m is fixed until July 2023 at a rate of 3.45%. £12m is fixed at a rate of 3.53% until 2027. The remaining £2.5m has interest payable at 2.35% above the Bank of England base rate.

- £0.5m overdraft facility renewable annually.

Net Gearing



On 31 March 2023 cash reserves and available facilities totalled just under £17.5m. 39 properties with a value of £29.3m are unencumbered. On 31 March 2023, the debt (less cash) to equity ratio expressed as "net gearing" was 18.1% (2022: 24.2%).

Banking covenants with both banks are maintained and the Board review these on a regular basis. Both banks continue to support the Group and have provided flexibility where secured properties have required substitution.

Chairman and Managing Director's statement and strategic report

Risk Register

The financial risks that the Group is exposed to are explained in more detail in the Group's accounting policies. The risk register is reviewed regularly at Board level with challenges provided and a range of scenarios discussed. The Board will implement necessary measures when deemed appropriate.

Human Resource

The team are now well settled in the new Headquarters. The personnel within the Company remains unchanged and there are no plans to increase the head count. The welfare of all staff members remains of paramount importance.

Governance

The Non-Executives on the Board, who have a range of experience relevant to the Group, provide a constant sounding board and challenge to the executive members of the Board. They monitor internal controls, processes and procedures.

Crowe UK LLP, our auditors have completed their fifth audit of the Group. With consideration to good corporate governance the Board have decided to retender the audit for the financial year ending 31 March 2024.

As a public company operating in the property investment market, we recognise that stakeholder engagement is a key foundation for the long-term success of the Group. Stakeholders are not only our shareholders and lenders but also our tenants and suppliers, our employees, governments, regulators, and the communities and environment in which we operate. I refer you to page 18 which provides more detail.

Executive Directors' Remuneration

The Remuneration Committee ("RemCo") continue to review Executive pay with the assistance of MHA. The review ensures that their packages remain in-line with market rates. In the financial year, the executive team were granted another LTIP (long-term incentive plan), covering a 3-year performance period. This is designed to reward the executive team on the longer-term performance of the Company, aligned with improving shareholder returns. The plan and targets are reviewable annually by the RemCo.

Future Outlook

There continues to be an uncertain economic outlook. The capital value of investment property is directly effected by movements in interest rates and the availability of debt. The Company is in a good position due to the Board's decision to reduce leverage.

When drawing comparison to its peers Glenstone is well positioned to deal with macroeconomic events and take advantage of any opportunities that may arise.

AGM

The AGM will take place at 12 noon on Wednesday 13th September at The In and Out Naval and Military Club, 4 St James's Square, London, SW1Y 4JU. The Board hope as many of you as possible can make the meeting.

Finally, the Board would like to thank the whole team at Glenstone REIT for their hard work and commitment throughout the successful year.

On behalf of the Board.

CL Powell MRICS
Chairman
Date: 13 July 2023

B P Green MRICS
Managing Director
Date: 13 July 2023

Corporate governance report

The Board is committed to maintaining high standards of corporate governance within the Group. The Company's issued share capital is listed on The International Stock Exchange (TISE).

Although none of the several published codes on corporate governance issued in the last few years apply specifically to companies listed on TISE, Shareholders expect companies in which they invest to be properly governed. The Board of Directors believe that the features of good corporate governance apply as much in the interests of smaller companies as they do to larger companies.

Good corporate governance incorporates proportionate risk assessment and management, prudent decision making, open communication and business efficiency. An objective of corporate governance is to deliver growth in long term shareholder value by maintaining a flexible, efficient, and effective management framework within an entrepreneurial environment.

The main features of corporate governance include:

a) Leadership and efficient management

- It should be clear where responsibility lies for the management of the Group and for the achievement of the key tasks.
- Controls and procedures should be in place to protect the Group's assets.
- The basis on which key decisions are taken should be transparent.
- There should be a strategic vision of what the Group is trying to achieve and an understanding of what is required to achieve this target.

b) Effective management

- The Board should possess the appropriate skills and experience in order to make the key decisions expected of it.
- Decisions should be taken using information, which is accurate, sufficient, timely and clear.
- The collective responsibility of the Board requires all Directors to be involved in the process of making significant decisions.

c) Benefit of all shareholders over the longer term

- Vested interests should not be able to act in a manner contrary to the common good of all Shareholders.
- Transactions with Management, key Shareholders and other related parties should be reported.
- A dialogue should exist between Shareholders and the Board, so that each party is aware of the other's objectives and so that the Shareholders are aware of any constraints on the Group.

Corporate governance report (continued)

Stakeholder Engagement

As a public company operating in the property investment market, Glenstone REIT plc recognise that stakeholder engagement is a key foundation for the long-term success of the Group. Stakeholders are not only our shareholders and lenders but also our tenants and suppliers, our employees, governments, regulators, and the communities and environment in which we operate.

The section below, describes how the directors of the Company have regard for the matters set out in Section 172(1) of the Companies Act 2006, these are:

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

The section below forms the Board's statement on such matters as required by the Act.

Shareholders and Lenders

Glenstone has developed a shareholder base of long-term property investors that are aligned with our strategy. By clearly communicating our strategy and objectives, we maintain continued support for what we do.

Objectives include:

- sustainable financial returns,
- a diversified property portfolio, and
- continual review of our operating efficiency.

There is regular dialogue between both shareholders and lenders through meetings, calls and presentations.

Tenants and Service providers

Ongoing tenant and service providers relationships remain integral to the running of a successful Real Estate Investment Trust. Being internally managed enables effective and enhanced communications with our all our tenants and service providers. The continuous communication allows us to foster long standing working relationships.

Employees

Our current and future success is underpinned by our ability to engage and motivate our employees. Creating the right environment for employees where their various strengths are recognised and their contributions are valued, helps to ensure that we can deliver our objectives. Owing to the size of the Company we have a very dedicated, inclusive and focused team where communication throughout all levels is on a daily basis.

Government and Regulators

Maintaining respectful and collaborative relationships with our relevant authorities is vital to our business. We believe that the strength of these relationships will allow us to make a sustainable and beneficial contribution to the Company.

Communities and Environment

Glenstone is committed to utilising industry best practices and achieving the highest standards of environmental management and safety. The Company's assets have an impact on the built environment. The Board have a responsibility to invest sustainably considering, Environmental, Social and Governance factors without negatively impacting financial returns. The Company also seeks and maintains positive relationships with its local communities.

Corporate governance report (continued)

Board of Directors

Christopher Powell MRICS

Non-Executive Chairman

Joined the Company in January 2012. Previously the Chairman of the Retail Group at Jones Lang LaSalle Ltd. Earlier he was the CEO of Churston Heard.

Rakesh Shaunak FCA CTA

Non-Executive Director

Appointed a Director of Glenstone Property on 24 February 2016. Currently a Partner and Group Chairman of MHA MacIntyre Hudson, Chartered Accountants.

Adam Smith MRICS

Non-Executive Director

Appointed a Director of Glenstone Property on 1 February 2016. Formerly the Managing Director of the London & Surrey Property Group of Companies. Earlier an investment and leasing agent with Edwin Hill, Chartered Surveyors.

Ben Green MRICS

Managing Director

Appointed a Director of Glenstone Property on 19 March 2012. Previously he had been a partner at Kitchen La Frenais Morgan. Appointed Managing Director in June 2020.

Rob Maybury FCCA

Finance Director

Appointed Finance Director on 1 April 2021, having joined Glenstone Property in 2017 as Financial Controller.

The Board operates within the terms of the Company's Articles of Association.

The Board currently consists of two Executive Directors and three Non-Executive Directors. This composition provides a blend of experience and qualifications and the number of Non-Executives provides a strong basis for ensuring the appropriate level of corporate governance exists. Decisions taken by the Board as a whole are implemented by the Executive Directors.

The Board meets not less than four times in a year and the Chairman and Non-Executive Directors also meet without the Executive Directors being present. Each Director is provided with a pack of board papers in advance of each meeting, which contains detailed schedules of key performance indicators, accounts, and notes on any important decisions which the Board is required to take.

The Board is also kept informed of all relevant information regarding the business, between formal meetings by ad hoc reports and memorandum.

The Company's Articles of Association require that one-third of Directors retire by rotation each year. In addition, new Directors are subject to re-election by shareholders at the Annual General Meeting after their initial appointment.

The Board maintains an active dialogue with its shareholders and recognises their continued interest in the strategy and performance of the Group. All of the Board are available to meet with shareholders if and when required and the AGM provides a perfect opportunity for shareholders to meet and discuss matters with the Board.

The Company Secretary keeps the Board and TISE informed of corporate governance issues and all board members have access to independent advice if required.

Corporate governance report (continued)

In support of good corporate governance, the Board has established the following Committees:

a) Audit Committee

The Audit Committee comprises all the Non-Executive Directors and is chaired by Rakesh Shaunak who is considered to have the appropriate knowledge and relevant experience. The Board is satisfied that the combined knowledge and experience of its members is such that the Committee discharges its responsibilities in a robust, effective, and informed way.

The Committee will meet at least twice a year and will be responsible for:

i) Reviewing the annual and interim financial statements prior to approval, focusing on changes in accounting policies, major judgmental areas, significant audit adjustments and compliance with accounting standards, TISE, HMRC and legal requirements.

ii) Reviewing the adequacy and effectiveness of the risk management systems.

iii) Considering the appointment of the Auditors and their remuneration, independence, and objectivity.

iv) Considering the adequacy and application of internal financial controls.

b) Remuneration Committee

A Remuneration Committee meeting made up of Non-Executive Directors and chaired by Chris Powell is held at the March Board Meeting and at other meetings as required, to discuss employment matters, pension entitlements, other benefits and to fix the remuneration of directors.

The Board's policy is that the remuneration of directors should reflect their experience and expertise that they have and how they use that to add value to the Group. The remuneration packages should be sufficient to retain, and where necessary, attract persons of the appropriate skill set.

The remuneration packages of Executive Directors comprise base salaries, performance related bonuses, pension contributions and benefits such as private medical health insurance.

The Board constantly reviews the remuneration policies and pay levels within its peer group of REITs to ensure the levels are commensurate within that group with due regard to the size, complexity, and risk of those in the peer group.

Board and Committee Attendance

The attendance of Board or Committee Meetings during the year to 31 March 2023 was as follows:

	Board	Remuneration	Audit
C.L. Powell	5	2	2
R. Shaunak	5	2	2
A.C. Smith	4	2	2
B.P. Green	5	*	*
R.P. Maybury	5	*	*

** Not a member of the committee*

Corporate governance report (continued)

Risk management

The Board recognises the need for effective high-level internal controls. High level controls in operation within the Group include:

i) Reviewing management accounts on a quarterly basis with comparison against budget and previous periods performance.

ii) Approval by the Board of acquisitions and disposals of investment and development properties.

iii) The maintenance of and challenges to a proportionate risk register.

iv) Reviewing the financial position of the Group out to at least 12 months ensuring banking covenants are unlikely to be compromised.

Risks and uncertainties

In addition to the financial risks and mitigating factors described in the accounting policies to the accounts the following other key risks and mitigants have been identified:

(a) Investment risk

Investment policy focuses on established business and residential locations and a balanced countrywide portfolio diversified across retail, residential and other commercial properties. Property managers actively manage lease expiry profiles to ensure a spread of expiries. When considering the sale or purchase of properties the current lease arrangements form a significant part of the decision-making process.

(b) Economic and political risk

The Group maintains a keen awareness of the macro-economic situation in the UK and weighs this against the health of current and potential tenants. Recent events have served as a reminder that even with the best risk mitigation plans in place some things come along and challenge management to an extent not realistically envisaged. The strength of the management team, in working methodically through all the issues that arise, is a major risk mitigant.

(c) Financial and fiscal change risk

The Group is focused on maintaining its compliance with the Real Estate Investment Trust (REIT) regime and will adapt to any potential changes to the REIT regime. The Board maintains a strong awareness of the fiscal situation.

(d) Operational risks

The Group has proportionate and robust systems and controls in place and constantly seeks to improve and streamline processes. The Group has successfully migrated all of the Group's systems onto common property and accounting platforms.

Directors' interests in ordinary shares

The interests of the Directors in the issued share capital of the Company are shown below:

	31-Mar-23	31-Mar-22
C.L. Powell	-	-
R. Shaunak	-	-
A.C. Smith	2,294,095	2,246,662
B.P. Green	-	-
R.P. Maybury	-	-

On behalf of the Board.

B P Green
Managing Director
Date: 13 July 2023

Report of the directors

The directors present their report with the financial statements of the Company and the Group for the year ended 31 March 2023.

Principal activities

The principal activity of the Group continued to be that of property investment, and development.

The Board's assessment of the performance of the Group, its future developments and subsequent events affecting the Group are presented in the Strategic report on pages 4 to 17.

Directors

The directors shown below have held office during the whole of the period from 1 April 2022 to the date of this report.

C L Powell, R Shaunak, A C Smith, B P Green, R P Maybury.

Financial instruments

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of a revolving credit facility, overdrafts and fixed and floating rate bank loans. The Group seeks to mitigate the risk of fluctuating interest rates by using the aforementioned instruments.

Charitable donations

During the year the Group made charitable donations of £3,840 (2022: £1,150). The Group made no political contributions in either year.

Taxation

As a Real Estate Investment Trust ("REIT"), the Group is exempt from corporation tax on profits and gains from its investments, provided it continues to meet certain conditions as per REIT regulations.

Results for the period and distributions

The Group results for the year are set out in the Consolidated statement of total comprehensive income.

Interim property income distributions of 13p per share were announced on 15 September 2022 and 9 December 2022, and income distribution of 14p per share was announced on 8 March 2023. The aforementioned interim property income distributions were payable on 14 October 2022, 6 January 2023 and 6 April 2023 respectively.

A further interim dividend of 18p in respect of earnings to 31 March 2023 was announced on 7 June 2023 and is payable on 7 July 2023.

Directors' and officers' liability insurance

During the year the Group purchased and maintained liability insurance for its Directors and Officers as permitted by Section 234 of the Companies Act 2006.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board.

B P Green
Managing Director
Date: 13 July 2023

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the independent auditors

Opinion

We have audited the financial statements of Glenstone REIT plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2023, which comprise:

- the Consolidated Statement of Comprehensive Income for the year ended 31 March 2023
- the Consolidated and Company Statement of Financial Position as at 31 March 2023
- the Consolidated and Company Statement of Changes in Equity for the year ended 31 March 2023
- the Consolidated Cashflow Statement for the year ended 31 March 2023; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- Obtaining an understanding of the budgeting and forecasting process followed by management, including performing a retrospective review to understand whether an indication of management bias exists;
- Obtaining the Group cash flow forecast covering the period to December 2024, and management's assessment of the going concern basis formed after a detailed review of the current economic conditions and their impact on the business;
- Reviewing the mathematical accuracy of the model;
- Discussing the cash flow forecast with management and challenging key assumptions;
- Considering continued compliance with banking covenants and considering the stress required to the model to indicate a breach;
- Reviewing minutes of board meetings with a view to identifying any matters which may impact the going concern assessment;
- Considering the appropriateness of disclosure made in respect of going concern and ensuring it is consistent with our understanding of the business and the forecasting exercise.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Report of the independent auditors (continued)

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £300,000, based on 5% of profit before tax adjusted for gain or loss on revaluation of investments and investment properties. Materiality for the Parent Company financial statements as a whole was set at £235,000 based on the same measure.

This marks a change in approach from asset-based materiality with a specific materiality set for other accounts and balances in the previous year. The overall materiality for the Group financial statements as a whole in 2022 was set at £1,600,000, based on a benchmark of 1% of gross assets. Materiality for the Parent Company financial statements as a whole was set at £1,200,000 based on the same measure. Specific materiality for account balances, classes of transactions and disclosures not related to investment properties was £350,000, which was set at 5% of profit before tax adjusted for gain or loss on revaluation of investment properties. Specific materiality for the Parent Company financial statements was set at £240,000, based on the same measure.

We have carefully considered the profit-oriented nature of the entity and the items that attract attention of the users of the financial statements, such as the key performance indicators for the Group. We note that these are mainly profit and NAV-based. Although Glenstone is an asset-focused business, it is a profit-oriented business and the return on those assets and ability to pay dividend to the shareholders is what drives it forward. Normalised result before tax allows for a stable benchmark that reflects the focus of the users of the financial statements.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

This is set at £210,000 (2022: £245,000) for the group and £164,500 (2022: £168,000) for the parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £15,000 (2022: £17,500). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our engagement is in respect of the Group's consolidated financial statements and those of the Parent Company. Our audit approach was developed by obtaining a thorough understanding of the Group's activities and is risk based. Based on this understanding we assessed those aspects of the Group and Subsidiary Companies' transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error.

Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly. We undertook a combination of analytical procedures and substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Key Audit Matters

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

Report of the independent auditors (continued)

Key audit matter	How the scope of our audit addressed the key audit matter
The valuation of the investment property portfolio of £128.5m (2022: £134.9m). Refer to page 4 (Chairman and Managing Director's statement and strategic report), pages 36-60 (Notes to the Consolidated Financial Statements – Note 2 Accounting policies) and pages 48-52, 56, 57 and 60 (financial disclosures). The fair value of the investment properties is a significant and material balance in the financial statements and there is a risk of overstatement. The fair value is based on the market values determined annually by management and independent external valuers (Lambert Smith Hampton ('External Valuer')). The valuation requires significant judgement and estimation by the management and the External Valuer, and is therefore considered a Key Audit.	**Our audit procedures included:** - Assessing the Group's internal control environment around the valuation of investment properties to ensure the processes behind the valuation process was robust; - Evaluating the capability, suitability and competence of the External Valuer, giving specific focus to their independence and qualification; - Gaining an understanding of the nature of the assets in the portfolio and ensuring classification and designation are appropriate and in line with our expectations; - Reviewing the stated accounting policy and ensuring it is appropriate to the designation and has been applied consistently; - Where third party data was used to support a valuation, we considered the independence and provenance of the third party data; - Assessing the valuation approach and assumptions made by the external valuer in reaching their conclusions; - Engaging an independent auditor's expert to assist with the valuation and challenge; - Discussing with the External Valuer the findings from our audit and challenging them with regard to the outliers and the assumptions used; - Analysing profit and loss on disposal of properties during the year as an indication of the appropriateness of the carrying values; - Performing retrospective review by comparing the sales proceeds of property disposals during the year to prior year External Valuer's valuation report; - Challenging management on the specific aspects of the accounting policy, such as the recommended adjustment of the carrying value of the investment properties by the carrying value and subsequent movement in the lease incentive asset; - Reviewing the adequacy and completeness of disclosures.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Report of the independent auditors (continued)

Other information

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent 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 the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

At planning stage, we completed a risk-assessment process that specifically considered the risk of fraud. This process included enquiry of management and those charged with governance, as well as developing our understanding of the legal and regulatory framework, the Group and Parent Company's policies and procedures around laws and regulations and financial reporting. The audit process included a specific review of the Group's internal control environment over key systems and processes.

Report of the independent auditors (continued)

Based on our understanding of the Group and industry, discussions with management and the Audit Committee we identified United Kingdom Generally Accepted Accounting Practice and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements.

Other laws and regulations where non-compliance may have a material effect on the Group's operations are laws and regulations associated with the listing on the International Stock Exchange and REIT regime compliance.

To identify risks of material misstatement due to fraud 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:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- reading minutes of board and audit committee meetings;
- reviewing risk registers held;
- considering whether remuneration incentive schemes or performance targets exist.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management, fraudulent revenue recognition and overvaluation of investment properties. We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. Further detail on the audit procedures performed in respect of fraudulent valuation of investment properties is set out in the key audit matter disclosures above.

To address the pervasive risk as it relates to management override and revenue recognition, we also performed procedures including:

- examining supporting documents for all material balances, transactions and disclosures;
- enquiry of management about litigations and claims and inspection of relevant correspondence;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- specific audit testing on and review of areas that could be subject to management override of controls and potential bias, most notably surrounding the areas of key judgments and estimates, including the carrying value of accruals and provisions, recoverability of debtors, capitalisation of expenses, accounting treatment of the investment in associate;
- considering management override of controls outside of the normal operating cycles including testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements including evaluating the business rationale of significant transactions outside the normal course of business;
- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation;
- examining support for a sample of rental agreements and agreeing it to the books and cash receipts per bank statements;
- reconciling total revenue receipts per the bank statements for the year to the total revenue reported;
- performing cut-off tests to ensure revenue has been recorded in the correct period.

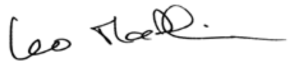
Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the 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 anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Leo Malkin (Senior Statutory Auditor) for and on behalf of Crowe U.K. LLP, Statutory Auditor, 55 Ludgate Hill, London EC4M 7JW - Date: 13 July 2023

Consolidated statement of comprehensive income for the year ended 31 March 2023

	Notes	Year Ended 31.3.23	Year Ended 31.3.22
		£	£
Turnover			
Rental and other income	3	**8,655,863**	9,062,532
		8,655,863	9,062,532
Cost of Sales			
Property operating expenses	4	**(1,239,850)**	(1,491,533)
Net property income		**7,416,013**	7,570,999
Administrative expenses		**(1,317,132)**	(1,481,992)
Operating profit before gains and losses		**6,098,881**	6,089,007
Profit on disposal of investment properties		**361,031**	1,429,560
Loss on revaluation of tangible fixed assets		**-**	(93,661)
Value adjustments:			
Fair value gains on investment properties	16	**234,940**	8,559,725
Value of incentives on investment properties	16	**(995,530)**	-
Amounts written off	5	**-**	(3,000,000)
Operating profit	8	**5,699,322**	12,984,631
Fair value (loss)/gain on investments		**(2,055,857)**	1,994,397
Dividends received		**1,138,784**	1,004,035
Finance income		**140,590**	121,476
Finance expense	10	**(1,490,937)**	(1,453,758)
Gain on early repayment of term loan		**654,059**	-
Profit before taxation		**4,085,961**	14,650,781
Taxation	11	**(26,469)**	(22,195)
Profit and total comprehensive income for the financial year		**4,059,492**	14,628,586
Earnings per share	13	**42.3p**	152.4p

There was no other comprehensive income for 2023 (2022:£NIL).
The notes on pages 36 to 60 form part of these financial statements.

Consolidated statement of financial position at 31 March 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	14		**1,322,332**		1,531,154
Investments	15		**13,383,225**		15,439,082
Investment property	16		**128,542,970**		134,868,964
			143,248,527		151,839,200
Current assets					
Stocks	17	**569,130**		-	
Debtors					
Amounts falling due within one year	18	**2,102,783**		3,917,551	
Amounts falling due after more than one year	18	**920,746**		749,586	
Cash at bank and in hand		**2,468,133**		4,854,070	
		6,060,792		9,521,207	
Creditors					
Amounts falling due within one year	19	**(3,140,528)**		(4,153,493)	
Net current assets			**2,920,264**		5,367,714
Total assets less current liabilities			**146,168,791**		157,206,914
Creditors					
Amounts falling due after more than one year	20		**(24,735,593)**		(34,463,360)
Net assets			**121,433,198**		122,743,554
Capital and reserves					
Called up share capital	23		**192,187**		192,187
Share premium			**61,454,038**		61,454,038
Treasury shares			**(186,004)**		(186,004)
Capital redemption reserve			**20,097**		20,097
Fair value reserve			**1,524,475**		2,030,697
Profit and loss reserve			**58,428,405**		59,232,539
Total equity			**121,433,198**		122,743,554

The financial statements were approved by the Board of Directors and authorised for issue on 13 July 2023 and signed on its behalf by:

R P Maybury
Finance Director

Company statement of financial position at 31 March 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	14		**1,322,332**		1,518,248
Investments	15		**48,587,731**		49,212,760
Investment property	16		**94,493,190**		89,919,000
			144,403,253		140,650,008
Current assets					
Stocks	17	**569,130**		-	
Debtors					
Amounts falling due within one year	18	**1,955,742**		3,518,577	
Amounts falling due after more than one year	18	**877,188**		700,866	
Cash at bank and in hand		**2,093,925**		3,941,645	
		5,495,985		8,161,088	
Creditors					
Amounts falling due within one year	19	**(51,424,000)**		(37,845,514)	
Net current liabilities			**(45,928,015)**		(29,684,426)
Total assets less current liabilities			**98,475,238**		110,965,582
Creditors					
Amounts falling due after more than one year	20		**(5,234,494)**		(14,968,900)
Net assets			**93,240,744**		95,996,682
Capital and reserves					
Called up share capital	23		**192,187**		192,187
Share premium			**61,454,038**		61,454,038
Treasury shares			**(186,004)**		(186,004)
Capital redemption reserve			**20,097**		20,097
Fair value reserve			**(3,552,875)**		(1,548,204)
Profit and loss reserve			**35,313,301**		36,064,568
			93,240,744		95,996,682
Company's profit/(loss) for the financial year			**2,613,910**		8,745,495

The financial statements were approved by the Board of Directors and authorised for issue on 13 July 2023 and signed on its behalf by:

R P Maybury
Finance Director

Consolidated statement of changes in equity for the year ended 31 March 2023

	Called up share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Profit and loss reserve	Total equity
	£	£		£	£	£	£
Balance at 1 April 2021	194,121	61,454,038	(986,367)	18,163	(7,867,258)	61,632,975	114,445,672
Changes in equity							
Total comprehensive income	-	-	-	-	-	14,628,586	14,628,586
Transfer of current year fair value movement	-	-	-	-	8,466,064	(8,466,064)	-
Transfer of realised fair value losses	-	-	-	-	1,431,891	(1,431,891)	-
Total comprehensive income for the year	-	-	-	-	9,897,955	4,730,631	14,628,586
Property income distributions	-	-	-	-	-	(6,144,700)	(6,144,700)
Purchase of own shares into treasury	-	-	(186,004)	-	-	-	(186,004)
Cancellation of shares	(1,934)	-	986,367	1,934	-	(986,367)	-
Total transactions with owners	(1,934)	-	800,363	1,934	-	(7,131,067)	(6,330,704)
Balance at 31 March 2022	192,187	61,454,038	(186,004)	20,097	2,030,697	59,232,539	122,743,554
Changes in equity							
Total comprehensive income	-	-	-	-	-	4,059,492	4,059,492
Transfer of current year fair value movement	-	-	-	-	(760,590)	760,590	-
Transfer of realised fair value losses	-	-	-	-	254,368	(254,368)	-
Total comprehensive income for the year	-	-	-	-	(506,222)	4,565,714	4,059,492
Property income distributions	-	-	-	-	-	(5,369,848)	(5,369,848)
Total transactions with owners	-	-	-	-	-	(5,369,848)	(5,369,848)
Balance at 31 March 2023	192,187	61,454,038	(186,004)	20,097	1,524,475	58,428,405	121,433,198

Company statement of changes in equity for the year ended 31 March 2023

	Called up share capital	Share premium	Treasury Shares	Capital redemption reserve	Fair value reserve	Profit and loss reserve	Total equity
	£	£	£	£	£	£	£
Balance at 1 April 2021	194,121	61,454,038	(986,367)	18,163	(8,948,436)	41,850,372	93,581,891
Changes in equity							
Total comprehensive income	-	-	-	-	-	8,745,495	8,745,495
Transfer of current year fair value movement	-	-	-	-	6,484,689	(6,484,689)	-
Transfer of realised fair value losses	-	-	-	-	915,543	(915,543)	-
Total comprehensive income for the year	-	-	-	-	7,400,232	1,345,263	8,745,495
Property income distributions	-	-	-	-	-	(6,144,700)	(6,144,700)
Purchase of own shares into treasury	-	-	(186,004)	-	-	-	(186,004)
Cancellation of shares	(1,934)	-	986,367	1,934	-	(986,367)	-
Total transactions with owners	(1,934)	-	800,363	1,934	-	(7,131,067)	(6,330,704)
Balance at 31 March 2022	192,187	61,454,038	(186,004)	20,097	(1,548,204)	36,064,568	95,996,682
Changes in equity							
Total comprehensive income	-	-	-	-	-	2,613,910	2,613,910
Transfer of current year fair value movement	-	-	-	-	(1,514,615)	1,514,615	-
Transfer of realised fair value gains	-	-	-	-	(490,056)	490,056	-
Total comprehensive income for the year	-	-	-	-	(2,004,671)	4,618,581	2,613,910
Property income distributions	-	-	-	-	-	(5,369,848)	(5,369,848)
Total transactions with owners	-	-	-	-	-	(5,369,848)	(5,369,848)
Balance at 31 March 2023	192,187	61,454,038	(186,004)	20,097	(3,552,875)	35,313,301	93,240,744

Consolidated cashflow statement for the year ended 31 March 2023

		Year Ended 31.3.23	Year Ended 31.3.22
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	26	**6,212,391**	9,299,383
Interest paid	10	**(1,206,653)**	(1,332,729)
Net cash generated from operating activities		**5,005,738**	7,966,654
Cash flows from investing activities			
Purchase of investment property		**(8,809,374)**	(13,354,000)
Purchase of tangible fixed assets		**(8,309)**	(1,413,137)
Sale of investment property		**15,047,131**	18,572,471
Purchase of fixed asset investment		-	(5,793,190)
Other investments		-	(250,000)
Capital improvements		**(114,186)**	(56,650)
Interest received		**15,397**	1,130
Dividend received		**1,138,784**	1,004,035
Repayment/(disbursement) of loan		**1,086,518**	(398,289)
Net cash generated/(used in) investing activities		**8,355,961**	(1,687,630)
Cash flows from financing activities			
Distributions paid		**(6,401,695)**	(4,898,129)
Repayment of loan		**(9,345,941)**	-
Purchase of own shares into treasury		-	(186,004)
Net cash used in financing activities		**(15,747,636)**	(5,084,133)
(Decrease)/increase in cash and cash equivalents		**(2,385,937)**	1,194,891
Cash and cash equivalents at beginning of year	28	**4,854,070**	3,659,179
Cash and cash equivalents at end of year	28	**2,468,133**	4,854,070

Notes to the consolidated financial statements

1. Corporate Information

The consolidated financial statements of the Group for the year ended 31 March 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The shares of the Company are listed on The International Stock Exchange (TISE). Glenstone REIT plc ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is 6 Duke Street, London, England, W1U 3EN.

2. Accounting Policies

General information

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.The consolidated and separate financial statements are prepared on a going concern basis, under historical cost convention, modified by the recognition of certain financial assets and non financial assets and liabilities at fair value. The Group and Company financial statements are prepared in sterling, which is the functional currency of the companies in the Group. Monetary amounts in these financial statements are rounded to the nearest £. The Group holds investment property and trading stock property.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

Basis of preparing the financial statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities including fair value movements on investment properties at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The significant assumptions and estimates to the consolidated financial statements are disclosed within the notes to the accounts.

As permitted by s408 Companies Act 2006, the Company has not presented its own Statement of comprehensive income and related notes.

The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cashflows, on the basis that it is qualifying entity and the consolidated statement of cashflows, included in these financial statements, includes the Company's cash flows;
- from presenting the Parent Company's financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings. All financial statements are made up to 31 March 2023.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change or change of significant influence respectively.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Notes to the consolidated financial statements (continued)

The difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is accounted for as goodwill or negative goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised profits and losses are also eliminated on consolidation.

Going concern

The financial statements have been prepared on a going concern basis. In assessing this, the directors have prepared forecasts and given due consideration to the long-term financing requirements at Group level, support provided to subsidiary entities by the Parent Company, bank financing on properties, and the profits and cash generation anticipated in companies within the Group.

The facilities comprise of £24.5m of loans, a £15m revolving credit facility and a £0.5m overdraft (renewable annually). The facilities have the following maturity dates:

- December 2024 - £15m Revolving Credit Facility
- May 2027 - £12m Fixed Term Loans
- February 2028 - £2.5m Fixed Term Loan
- July 2028 - £10m Fixed Term Loans

As at 31 March 2023, the revolving credit facility was undrawn and the Group had cash reserves of £2.47m. Therefore, this provides the Group with facilities totalling £17.97m, which includes the overdraft facility.

The directors prepare annual forecasts to ensure that the Group has sufficient facilities in place to meet its liabilities as they fall due. The forecasts are also reviewed from a compliance perspective with regard to the debt covenants, with the Group's two lenders, Handelsbanken plc and Lloyds Bank plc.

In considering the going concern assumption the directors review is focused on, but not limited to the following areas:

Debt maturity - The earliest facility due for repayment / refinancing does not mature until December 2024.

Loan to value covenants - As at 31 March 2023, the overall loan to value on the properties secured totalled 24%. This rises to 39% should the Group draw the £15m revolving credit facility. Should the revolving credit facility be fully drawn, property values would need to fall by 35% for the LTV covenant to be breached.

Owing to the low level of gearing, the Group has 39 properties with a total value of £29m which remain unencumbered and could be made available to support existing facilities if required.

Portfolio weighted average unexpired lease term (WAULT) - The Group's property portfolio has a current WAULT in excess of 8 years, representing a secure income stream for the period under review.

Tenant default – The Group benefit from broad range of tenant occupiers and there is no undue reliance on any single tenant or sector.

The Directors believe that there are currently no material uncertainties in relation to the Group's ability to continue to operate for the foreseeable future. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

Turnover

The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described below.

Turnover represents rents receivable from investment properties, service charges, management charges, lease surrenders, the proceeds received from the sale of development properties, and rents received from development properties prior to their sale. Proceeds from the sale of development properties are included in turnover on legal completion.

Turnover is recognised as it falls due, in accordance with the lease to which it relates. Any lease incentives are spread evenly across the period of the lease.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group operates in two business segments comprising property investment and development. The Group's operations are performed wholly in the United Kingdom.

Notes to the consolidated financial statements (continued)

Tangible fixed assets

Fixtures and fittings and motor vehicles are shown at historical cost less depreciation and provision for impairment. Historic cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight line basis at rates appropriate to write off individual assets over their estimated useful lives of between four and ten years.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each Statement of financial position date. An asset is written down if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Statement of comprehensive income.

Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of financial position date.

Fair values are determined by directors and are based on the market value of the property. The valuer's opinion of the market value is primarily derived using comparable recent market transactions on arm's length terms.

Revaluation gains and losses are recognised in Other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in the Statement of comprehensive income.

Investment properties

Investment property comprises freehold and long leasehold buildings. These comprise mainly retail units, offices, residential properties, industrial units and licensed property which are measured initially at cost, including related transaction costs. These are held as investments to earn rental income and for capital appreciation and are stated at fair value at the Statement of financial position date. The purchase of investment property is recognised upon legal completion and is initially held at purchase price plus transaction costs.

After initial recognition investment property is carried at fair value, determined annually by independent external valuers in accordance with RICS Valuation - Professional Standards (the 'Red Book'). The determination of the fair value is based on the income capitalisation approach which involves applying capitalisation yields to current and future rental streams. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases based on comparable properties and using the valuer's professional judgment and market observation as well as the carrying amount of any accrued income resulting from the spreading of the lease incentives, which reduces the carrying value of the investment property.

When an existing investment property is redeveloped for continued future use as an investment property, it remains an investment property whilst in development.

Subsequent expenditure is added to the assets carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Statement of comprehensive income during the financial period in which they are incurred.

Any movement in the fair value of the properties is reflected within the Statement of comprehensive income for the year.

The sale of investment property is recognised upon legal completion. The gain or loss arising on the disposal of investment properties is determined as the difference between the net sales proceeds and the carrying value of the asset at the beginning of the period and is recognised in the Statement of comprehensive income.

Investments

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Company controls another entity.

Investments in subsidiaries are held at cost less accumulated impairment losses. Investments held as listed investments are stated at their fair values with changes to their fair values going through the Statement of comprehensive income.

Notes to the consolidated financial statements (continued)

Stocks

Property stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cost of stocks comprise purchase and development costs of properties which are allocated to the specific properties to which they relate.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in Statement of comprehensive income. Reversals of impairment losses are also recognised in Statement of comprehensive income.

Taxation

Corporation tax is recognised in Statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

As a REIT, the Group is exempt from corporation tax on profits and gains from its investments, provided it continues to meet certain conditions as per REIT regulations.

Taxation on the profit and loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the period end date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

(i) Current tax

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates of corporation tax that have been enacted by the Statement of financial position.

(ii) Deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

Operating lease agreements

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leasehold incentives given to tenants on entering property leases are recognised as unamortised lease incentives on the Statement of financial position and are amortised to the Statement of comprehensive income over the term of the lease.

Retirement benefits

The Group pays contributions into privately administered pension plans which are charged to the Statement of comprehensive income in the period when they fall due.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Capital and reserves

The share premium account represents amounts paid in excess of the par value of the shares.

The fair value reserve reflects unrealised gains and losses on investment properties carried at fair value.

The capital redemption reserve reflects the buyback of shares in prior years.

Treasury shares are shares bought back by the issuing company, reducing the number of outstanding shares on the open market.

The profit and loss reserve reflects accumulated comprehensive income to date less distributions paid and realised gains and losses on the revaluation of investment properties.

Notes to the consolidated financial statements (continued)

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's Statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective rate interest method.

Trade debtors are recognised initially at invoice value and are subsequently measured less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The amount of the provision is recognised in the Statement of comprehensive income.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(ii) Impairment of financial assets

Financial assets, other than those held at fair value through Statement of comprehensive income, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in Statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in Statement of comprehensive income.

(iii) Derecognition of financial assets

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(iv) Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(v) Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Incremental costs that are directly attributable to the acquisition of loans are offset against the loan liability.

Notes to the consolidated financial statements (continued)

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the Statement of financial position date.

(vi) Derecognition of financial liabilities

Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Estimates and judgments

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Significant Judgements

In preparing these financial statements, the directors have had to make the following judgements in applying the above accounting policies that have had the most significant effect on the amounts recognised in the financial statements:

(i) Investment

The directors have made an assessment in relation to classification of its key investment as an investment portfolio and accounted for such investments at fair value through profit and loss. This is done on the premise that the Group's value in investment is derived through fair value of investments rather than as media through which it carries out business. Key factors taken into consideration include, degree of influence exercised in strategic decision making, business conducted and nature of distributions.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

(i) Fair value of investment properties

The annual revaluation of investment properties is sensitive to the changes in the rental market and the economic climate of the surrounding area. The properties are revalued at fair value by Lambert Smith Hampton independent chartered surveyors and the directors each year at the Statement of financial position date.

(ii) Recoverability of receivables

The directors make annual assessment in relation to recoverability of the receivables and provide against any doubtful debts accordingly. Key factors taken into consideration include credit history of the tenant and any deposits or insurance against the receivable balance.

The receivable owed by Delrose Developments Limited has been deemed recoverable by the directors at year end. The borrower is undergoing a refinancing event and the loan is expected to be repaid shortly.

Notes to the consolidated financial statements (continued)

Financial risk management

The Group's activities expose it to a variety of financial risks; credit risk, capital risk and cash flow interest rate risk.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a tenant or counterparty fail to meet their contractual obligation.

The Group has policies in place to ensure that rental contracts are only agreed with tenants that have an appropriate credit history. The Group has policies that limit the amount of credit exposure to any tenants. Appropriate provisions have been put in place to reflect any doubtful receivables at year end.

The Group has no significant concentration of credit risk in respect of rent receivables as exposure is spread over a large number of tenants, varying by size and market sector.

The Group has exposure to a loan receivable totalling £1,150,000. The loan is secured on a development site which is now complete. The borrower is undergoing a refinance event which will see the loan receivable repaid.

The Group's cash holding is with Handelsbanken plc and Lloyds Bank plc. The Group will only place cash holdings with major financial institutions.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

(iii) Interest rate risk

The Group has both interest-bearing assets and interest-bearing liabilities.

Interest-bearing assets comprise of short-medium term receivables. The interest rates are fixed to reflect the implied risk.

Interest-bearing liabilities incorporate the Group's bank borrowings. The Group maintains a balanced interest rate risk profile by holding a mix of fixed interest-bearing loans as well as preserving a Revolving Credit Facility, which is exposed to rises and falls in the Sterling Overnight Index Average (SONIA).

3. Turnover

The turnover and profit before taxation are attributable to the principal activities of the Group. An analysis of turnover by class of business is given below:

	Year Ended 31.3.23	Year Ended 31.3.22
	£	£
Rental income	**8,506,451**	8,945,160
Lease sale premiums	**51,170**	23,272
Other property income	**98,242**	94,100
	8,655,863	9,062,532

Notes to the consolidated financial statements (continued)

4. Property operating expenditure

Included within property operating expenses are bad debt provisions totalling £1,295. The directors have deemed it prudent to put this provision in place at year end (2022 - £21,755). See also note 5.

5. Amounts written off

	Year Ended 31.3.23	Year Ended 31.3.22
	£	£
Amounts written off	-	3,000,000

In August 2020 the Board made the strategic decision to sell the four West London Houses of Multiple Occupation ("HMO's"), to the tenant. The Collective Group represented 9% of the annual rent roll at the time. The portfolio was sold for £22m cash plus a deferred, unsecured, interest bearing repayment loan of £3m.

The cash received of £22m was substantially ahead of the portfolio valuation as at 31 March 2021. In September 2021, The Collective Group fell into administration, having experienced difficulties owing to the COVID-19 pandemic. The unsecured, interest bearing repayment loan of £3m was not recovered by the group.

6. Employees and directors

	Year Ended 31.3.23	Year Ended 31.3.22
	£	£
Wages and salaries	**815,661**	778,988
Social security costs	**82,672**	78,999
Other pension costs	**17,734**	11,914
	916,067	869,901
Group and Company - The average number of employees during the year was as follows:		
Directors	**5**	5
Administration	**6**	6
	11	11

Notes to the consolidated financial statements (continued)

7. Directors' emoluments

	Year Ended 31.3.23	Year Ended 31.3.22
	£	£
Directors' remuneration	**569,088**	573,400
Directors' pension contributions to money purchase schemes	**12,810**	8,671
The number of directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	**2**	2
Information regarding the highest paid director is as follows:		
Remuneration for qualifying services	**265,722**	265,252
Pension contributions to money purchase schemes	**4,125**	4,125

There are no other key management personnel other than directors.

8. Operating profit

The operating profit is stated after charging/(crediting):

	Year Ended 31.3.23	Year Ended 31.3.22
	£	£
Depreciation - owned assets	**7,804**	17,474
Profit on disposal of tangible fixed assets	**12,189**	-

9. Auditors' remuneration

	Year Ended 31.3.23	Year Ended 31.3.22
	£	£
Audit services		
Fees payable to the Company's auditors for the audit of the financial statements of the Group and Company	**33,000**	28,000
Fees payable to the Company's auditors for the audit of the financial statements of the Company's subsidiaries	**36,000**	32,000

Notes to the consolidated financial statements (continued)

10. Interest payable and similar expenses

	Year Ended 31.3.23	Year Ended 31.3.22
	£	£
Financing arrangement costs amortisation	**284,284**	121,029
Interest on bank overdrafts and loans	**1,206,653**	1,332,729
	1,490,937	1,453,758

11. Taxation

Analysis of the tax charge - The tax charge on the profit for the year was as follows:

	Year Ended 31.3.23	Year Ended 31.3.22
	£	£
Current tax:		
UK corporation tax	**26,469**	22,195
	26,469	22,195
Reconciliation of total tax charge included in profit and loss		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:		
Profit before tax	**4,085,961**	14,650,781
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	**776,333**	2,783,648
Effects of:		
REIT exempt profits	**(1,284,996)**	(773,965)
Effect of revaluations of investments	**345,982**	(1,987,488)
Effect of value of incentives	**189,150**	-
Total tax charge	**26,469**	22,195

Glenstone REIT PLC elected for Company Real Estate Investment Trust ("REIT") status with effect from 1 February 2009. Other group companies joined the REIT on 1 February 2016, 15 November 2017, 18 December 2018, and 14 January 2020. As a result, the Group no longer pays UK Corporation Tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits of the Group continue to be subject to corporation tax as normal.

Notes to the consolidated financial statements (continued)

12. Distributions

			Year Ended 31.3.23	Year Ended 31.3.22
			£	£
Interim	**In respect of period ended**	**Per share**	**Total**	**Total**
Fourth	31/03/2022	16p (25p)	**1,534,242**	2,402,340
First	30/06/2022	13p (13p)	**1,246,572**	1,249,217
Second	30/09/2022	13p (13p)	**1,246,572**	1,246,572
Third	31/12/2022	14p (13p)	**1,342,462**	1,246,571
			5,369,848	6,144,700

A further dividend has been proposed for the year ended 31 March 2023 of 18p per share, taking the total Property Income Distribution (PID) to 58p per share (2022 - 55p). This is expected to absorb £1,726,023 of reserves. The distribution has not been included as a liability in these financial statements.

13. Earnings per share

The calculation of earnings per share is based on the profit on ordinary activities after taxation attributable to the owners of the parent company of £4,059,492 (2022: £14,628,586) and 9,589,015 (2022: 9,589,728) ordinary shares, being the weighted average number of shares in issue during the period.

	2023	2022
Basic earning per share	**42.3p**	152.4p

The calculation of earnings per share - based on ordinary activities, is based on the profit attributable to the owners of the parent company less the fair value gains or losses on investment properties and investments, and gain on early repayment of term loan £6,221,880 (2022: £7,168,125) and 9,589,015 (2022: 9,589,728) ordinary shares, being the weighted average number of shares in issue during the year.

	2023	2022
Earnings per share – on ordinary activities	**64.9p**	94.5p
	£	£
Profit on ordinary activities after tax	**4,059,492**	14,628,586
Fair value gains on investment properties	**(234,940)**	(8,559,725)
Value of incentives on investment properties	**995,530**	-
Fair value losses on tangible fixed assets	**-**	93,661
Fair value losses on loans and investments	**2,055,857**	1,005,603
Gain on early repayment of term loan	**(654,059)**	-
Adjusted profit on ordinary activities after tax	**6,221,880**	7,168,125

Notes to the consolidated financial statements (continued)

14. Tangible fixed assets

	Long leasehold property	Fixtures and fittings	Totals
	£	£	£
Group			
Cost or valuation			
At 1 April 2022	1,631,481	70,333	1,701,814
Additions	-	8,309	8,309
Transferred to investment property	(227,821)	-	(227,821)
Disposals	-	(58,547)	(58,547)
At 31 March 2023	**1,403,660**	**20,095**	**1,423,755**
Depreciation			
At 1 April 2022	121,275	49,385	170,660
Charge for the year	3,068	4,736	7,804
Transferred to investment property	(30,683)	-	(30,683)
Eliminated on disposal	-	(46,358)	(46,358)
At 31 March 2023	**93,660**	**7,763**	**101,423**
Net book value			
As at 31 March 2023	**1,310,000**	**12,332**	**1,322,332**
As at 31 March 2022	1,510,206	20,948	1,531,154
Company			
Cost or valuation			
At 1 April 2022	1,631,481	48,823	1,680,304
Additions	-	8,309	8,309
Transferred to investment property	(227,821)	-	(227,821)
Disposals	-	(37,036)	(37,036)
At 31 March 2023	**1,403,660**	**20,096**	**1,423,756**
Depreciation			
At 1 April 2022	121,275	40,781	162,056
Charge for the year	3,068	4,019	7,087
Transferred to investment property	(30,683)	-	(30,683)
Eliminated on disposal	-	(37,036)	(37,036)
At 31 March 2023	**93,660**	**7,764**	**101,424**
Net book value			
As at 31 March 2023	**1,310,000**	**12,332**	**1,322,332**
As at 31 March 2022	1,510,206	8,042	1,518,248

Long leasehold property with a value totalling £1,310,000 (2022: £1,310,000) has been pledged to secure borrowings of the Group. If the long leasehold property had not been included at valuation it would have been included under the historical cost convention at a net book value of £1,403,662.

Notes to the consolidated financial statements (continued)

15. Fixed asset investments

			Investment
			£
Group			
Cost or valuation			
At 1 April 2022			**15,439,082**
Revaluations			**(2,055,857)**
Net book value			
At 31 March 2023			**13,383,225**
At 31 March 2022			15,439,082

The investment reflects the Group's 25.03% holding of Alternative Income REIT plc's issued share capital. The investment has been revalued based on the bid price of 66.4p per share as at 31 March 2023.

	Investment	Shares in group undertakings	Total
Company			
Cost			
At 1 April 2022	4,693,842	44,518,918	49,212,760
Fair value loss on investments	(625,029)	-	(625,029)
At 31 March 2023	**4,068,813**	**44,518,918**	**48,587,731**
Net book value			
At 31 March 2023	**4,068,813**	**44,518,918**	**48,587,731**
At 31 March 2022	4,693,842	44,518,918	49,212,760

Notes to the consolidated financial statements (continued)

15. Fixed asset investments (continued)

The Group or the Company's investments at the Statement of financial position date in the share capital of companies include the following:

Subsidiaries

London & Surrey Property Holdings Limited

Registered office: 6 Duke Street, London, England, W1U 3EN, UK. Nature of business: Property investment

	%
Class of shares	Holding
Ordinary: direct	100

Amdale Securities Limited

Registered office: 6 Duke Street, London, England, W1U 3EN, UK. Nature of business: Property investment

	%
Class of shares	Holding
Ordinary: direct	100

Innbrighton Properties Limited

Registered office: 6 Duke Street, London, England, W1U 3EN, UK. Nature of business: Property investment

	%
Class of shares	Holding
Ordinary: indirect	100

Deemark Limited

Registered office: 6 Duke Street, London, England, W1U 3EN, UK. Nature of business: Property investment (Dormant)

	%
Class of shares	Holding
Ordinary: direct	60.39
Ordinary: indirect	39.61

Glenstone Devco Limited

Registered office: 6 Duke Street, London, England, W1U 3EN, UK. Nature of business: Property investment (Dormant)

	%
Class of shares	Holding
Ordinary: direct	100

Centreshores Limited

Registered office: 6 Duke Street, London, England, W1U 3EN, UK. Nature of business: Management company (Dormant)

	%
Class of shares	Holding
Ordinary: indirect	73.68

The shareholding in Centreshores Limited solely reflects the Group's interest in the day-to-day site management of Brook Lane Business Centre, London, where the Group owns the freehold of 14 out of the 19 industrial units on the site.

Significant investment

Alternative Income REIT Plc

Registered office: 1 King William Street, London, England, EC4N 7AF, UK. Nature of business: Property investment

	%
Class of shares	Holding
Ordinary: indirect	25.03

Notes to the consolidated financial statements (continued)

16. Investment property

Group	Total
	£
Fair value	
At 1 April 2022	**134,868,964**
Additions through external acquisition	**8,809,374**
Capital improvements	**114,186**
Transferred from fixed assets	**197,136**
Disposals	**(14,686,100)**
Gains on revaluation	**234,940**
Value of incentives (Note 18)	**(995,530)**
At 31 March 2023	**128,542,970**
Net book value	
At 31 March 2023	**128,542,970**
At 31 March 2022	**134,868,964**

Group

Investment property comprises freehold and long leasehold property. The fair value of the investment property has been arrived at on the basis of a valuation carried out at 31 March 2023 by Lambert Smith Hampton, independent chartered surveyors. The valuations were made on an open market basis by reference to existing use. Investment properties with a value totalling £99,533,607 (2022: £100,751,500) have been pledged to secure borrowings of the Group.

Group	2023	2022
	£	£
Freehold	**105,289,173**	112,253,500
Long leasehold	**23,253,797**	22,615,464
	128,542,970	134,868,964

Notes to the consolidated financial statements (continued)

16. Investment property (continued)

Company	Total
	£
Fair value	
At 1 April 2022	**89,919,000**
Additions through external acquisition	**8,802,119**
Capital improvements	**114,186**
Transferred from fixed assets	**197,136**
Disposals	**(3,024,636)**
Gains on revaluation	**(567,805)**
Value of incentives (Note 18)	**(946,810)**
At 31 March 2023	**94,493,190**
Net book value	
At 31 March 2023	**94,493,190**
At 31 March 2022	89,919,000

The fair value reserve for the Company and the Group discloses the movement between the historical cost basis and the fair value basis for investment properties. Investment properties with a value totalling £76,822,327 (2022: £73,691,500) have been pledged to secure borrowings of the Company.

Notes to the consolidated financial statements (continued)

16. Investment property (continued)

Company	2023	2022
	£	£
Freehold	**74,519,393**	68,919,000
Long leasehold	**19,973,797**	21,000,000
	94,493,190	89,919,000

The market value of the Group and Company's investment properties, as determined by the external valuer, differs from the carrying value presented in the statements of financial position due to presenting tenant lease incentives separately. The following table reconciles the net book value of the investment properties to the market value.

	Group 2023	Company 2023
	£	£
Portfolio market value	**129,538,500**	95,440,000
Tenant lease incentives	**(995,530)**	(946,810)
Net carrying value total	**128,542,970**	94,493,190

Valuation process for the Group and Company

Investment properties are stated at fair value as determined by independent professional valuers. During the year and at the year end, valuations have been performed by Lambert Smith Hampton ("LSH"). LSH were appointed on the strength of their professionalism and their recent experience in the relevant locations and property sectors. They have acted for the Group for five years.

All of the valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors.

Investment property has been valued using an investment method involving the application of a yield to rental income streams. Inputs include yield, current rent and estimated rental value ("ERV"). Valuation reports are based on information provided from the Group's property database including current rents and lease terms and assumptions applied by the valuers e.g. ERVs and yields. The assumptions used by the valuers are influenced by relevant local comparable for the type, location and condition of the property.

For the purposes of these financial statements, the assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives to avoid double-counting. The impact of the carrying value of the lease incentives on the valuation of the investment property portfolio was not considered material in the prior years.

17. Stocks

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Property stock	**569,130**	-	**569,130**	-
	569,130	-	**569,130**	-

Property stock solely related to the conversion of a residential gym to two new dwellings in Vineyard Heights (Mortlake Business Centre).

18. Debtors: amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade debtors	**691,160**	1,334,779	**592,018**	958,437
Accrued income and other debtors	**1,249,638**	2,481,471	**1,244,476**	2,472,981
Prepayments	**161,985**	101,301	**119,248**	87,159
	2,102,783	3,917,551	**1,955,742**	3,518,577
Debtors: amounts falling due after one year				
Accrued income and other debtors	**920,746**	749,586	**877,188**	700,866
	920,746	749,586	**877,188**	700,866

Included within the accrued income balance of the Group and the Company are unexpired lease incentives that will be released to the Statement of comprehensive income across the terms of each individual lease. For the Group the lease incentives totalled £995,530 (2022: £784,829) of which £920,746 (2022: £749,586) is included as due after one year.

For the Company, the lease incentives totalled £946,810 (2022: £730,950) of which £877,188 (2022: £700,866) is included as due after one year. Included within the accrued income and other debtors balance due within one year, of the Group and the Company, is an interest-bearing loan amounting to £1,150,000 (2022: £2,000,000). The loan has attached to it, an interest rate of 7.5%. The directors considered that the carrying value of trade debtors approximates to their fair value. The credit risk in respect of trade debtors is not concentrated as the Group has many tenants spread across a number of industry sectors. In addition, the tenant's rents are generally payable in advance.

The predominant class within trade debtors is rent receivable. The maximum exposure to credit risk at the reporting date is the carrying value of trade debtors as mentioned above. In assessing whether trade debtors are impaired, each debt is considered on an individual basis, and provision is made based upon specific knowledge of each tenant.

Notes to the consolidated financial statements (continued)

19. Creditors: amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade creditors	**319,619**	316,754	**269,465**	250,633
Amounts owed to group undertakings	**-**	-	**48,742,363**	34,269,750
Tax	**26,711**	23,085	**26,332**	22,866
Social security and other taxes	**15,032**	16,545	**15,032**	16,545
VAT	**256,511**	242,536	**216,907**	203,690
Other creditors	**670,881**	1,677,507	**665,895**	1,629,206
Deferred income	**1,365,757**	1,310,523	**1,082,145**	985,522
Accruals	**486,017**	566,543	**405,861**	467,302
	3,140,528	4,153,493	**51,424,000**	37,845,514

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand. The Group's other creditors include arrangement fees of £23,075 to be released over the next year. The loans have maturities in 2027 and 2028. The Company's other creditors include arrangement fees of £5,000 to be released over the next year. The loans have maturities in 2027 and 2028.

20. Creditors: amounts falling due after more than one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Other creditors	**321,732**	235,832	**256,161**	158,823
Bank loans (see note 21)	**24,413,861**	34,227,528	**4,978,333**	14,810,077
	24,735,593	34,463,360	**5,234,494**	14,968,900

The Group's bank facilities outstanding are £24,500,000 with arrangement fees of £109,214 to be released over the length of the loan agreements, with maturities in 2027 and 2028. The Company's facilities outstanding are £5,000,000 with arrangement fees of £26,667 to be released over the length of the loan agreements, with maturities in 2027 and 2028. The Group's policy in respect of the use of financial instruments to manage risk is detailed in the accounting policies.

Notes to the consolidated financial statements (continued)

21. Loans

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Amounts falling due between one and five years:				
Bank loans and revolving credit facility	**14,500,000**	10,000,000	-	10,000,000
Loan arrangement fees	**(42,809)**	(163,257)	-	(163,257)
Amounts falling due in more than five years:				
Bank loans	**10,000,000**	24,500,000	**5,000,000**	5,000,000
Loan arrangement fees	**(43,330)**	(109,215)	**(21,667)**	(26,667)

The total amount of Group creditors for which security has been given are £24,500,000 (2022: £34,500,000).

The total amount of Company creditors for which security has been given are £5,000,000 (2022: £15,000,000).

The £24,500,000 of Handelsbanken loans and overdraft are secured by fixed charges over certain of the Group's investment properties as well as an unlimited Cross Guarantee between Glenstone REIT plc, Amdale Securities Limited, London and Surrey Property Holdings Limited and Innbrighton Properties Limited.

The loans are interest only and repayable in full on the maturity dates which vary between May 2027 and July 2028.

Interest is payable on £22,000,000 at rates between 3.45% - 3.53% (2022: 3.45% - 3.53%) with current interest fixing dates ranging from July 2023 to May 2027. The remaining £2,500,000 attracts interest at 2.35% above the Bank of England Base Rate.

The Revolving Credit Facility of up to £15,000,000 (£nil drawn as of 31 March 2023) matures on 5 December 2024. Interest payable on the facility is based on SONIA compounded in arrears with a five business day lag, plus a credit adjustment spread of 0.12% and a margin of 2.20%.

The Revolving Credit Facility is secured over certain of the Company's investment properties.

The Lloyds Bank £10,0000,000 fixed term loan was repaid during the year for sum totalling £9,345,941.

The Group has overdraft facilities of up to a maximum of £500,000 (2022: £500,000). Interest payable on the facilities is based upon Bank base rate, plus a margin of 2.65%.

Notes to the consolidated financial statements (continued)

22. Leasing agreements

Lessor

At 31 March 2023 the Group owned commercial and residential investment properties for rental purposes. Rental income earned during the period was £8,506,451 (2022: £8,945,160) and direct operating expenses arising on the properties in the period was £1,239,850 (2022: £1,491,533). The properties are expected to generate yield between 4% and 10% p.a. depending on type of property. Most lease contracts contain market review clauses in the event that the lessee exercises their option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Within one year	**7,719,023**	7,039,926	**6,434,578**	5,619,457
Between two and five years	**24,308,115**	23,665,193	**20,151,846**	18,817,786
In over five years	**25,816,574**	28,741,453	**16,862,595**	18,784,064
	57,843,712	59,446,572	**43,449,019**	43,221,307

23. Called up share capital

Allotted, issued and fully paid				
Number	Class	Nominal	2023	2022
		Value	£	£
9,609,358	Ordinary	0.02	**192,187**	192,187

There is one class of ordinary share which carry no right to fixed income. The shares carry no special rights or restrictions, each share carries one vote.

The Company holds 20,343 ordinary shares in treasury (2022: 20,343).

Notes to the consolidated financial statements (continued)

24. Financial instruments

	Group		Company	
	2023	2022	2023	2022
Financial assets	£	£	£	£
Debt instruments measured at amortised cost				
Trade debtors	**691,160**	1,334,779	**592,018**	958,437
Cash and cash equivalents	**2,468,133**	4,854,070	**2,093,926**	3,941,645
Financial assets at fair value through profit and loss				
Fixed asset listed investments	**13,383,225**	15,439,082	**4,068,813**	4,693,842
Equity instruments measured at cost				
Investment in subsidiary	**-**	-	**44,518,918**	44,518,918
	16,542,518	21,627,931	**51,273,675**	54,112,842
Financial liabilities	£	£	**£**	£
Debt instruments measured at amortised cost				
Bank loans and overdrafts	**24,413,861**	34,227,528	**4,978,333**	14,810,077
Trade creditors	**319,619**	316,754	**269,465**	250,633
Other creditors	**992,613**	1,913,339	**922,056**	1,788,029
Accruals	**486,017**	566,543	**405,861**	467,302
Amounts due to subsidiary undertakings	**-**	-	**48,742,363**	34,269,750
	26,212,110	37,024,164	**55,318,078**	51,585,791

Notes to the consolidated financial statements (continued)

25. Pension commitments

Defined contribution schemes	2023	2022
	£	£
Charge to Statement of comprehensive income in respect of defined contribution schemes	**17,734**	11,914

26. Reconciliation of profit before taxation to cash generated from operations

	Year Ended 31.3.23	Year Ended 31.3.22
	£	£
Profit before taxation	**4,085,961**	14,650,781
Depreciation charges	**7,804**	17,474
Profit on disposal of investment properties	**(361,031)**	(1,429,560)
Gain on revaluation of investment properties	**(234,940)**	(8,559,725)
Value of incentives on investment properties	**995,530**	-
Loss/(gain) on revaluation of fixed asset investments	**2,055,857**	(1,994,397)
Losses on revaluation of tangible fixed assets	**-**	93,661
Loss on disposal of assets	**12,189**	-
Gain on early repayment of the loan	**(654,059)**	-
Bad debts	**1,295**	21,755
Amounts written off	**-**	3,000,000
Finance costs	**1,490,937**	1,453,758
Finance income receivable	**(140,590)**	(121,476)
Dividend receivable	**(1,138,784)**	(1,004,035)
	6,120,169	6,128,236
Increase in stocks	**(569,130)**	-
Decrease in trade and other debtors	**682,283**	2,887,186
(Decrease)/increase in trade and other creditors	**(20,931)**	283,961
Cash generated from operations	**6,212,391**	9,299,383

Notes to the consolidated financial statements (continued)

27. Analysis of net debt

	At 1 April 2022	Cashflows	Other non-cash changes	At 31 March 2023
	£	£		£
Cash and cash equivalents				
Cash at bank and in hand	4,854,070	(2,385,937)	-	2,468,133
	4,854,070	**(2,385,937)**	**-**	**2,468,133**
Borrowings				
Debt due within one year	121,029	-	(97,953)	23,076
Debt due after one year	(34,227,528)	9,345,941	467,726	(24,413,861)
	(34,106,499)	**9,345,941**	**369,773**	**(24,390,785)**
Total	**(29,252,429)**	**6,960,004**	**369,773**	**(21,922,652)**

28. Cash and cash equivalents

The amounts disclosed in the Cash flow statement in respect of cash and cash equivalents are in respect of these Statement of financial position amounts:

	2023	2022
	£	£
Cash at bank and in hand	**2,468,133**	4,854,070
	2,468,133	4,854,070

29. Ultimate controlling party

There is no ultimate controlling party.

Notes to the consolidated financial statements (continued)

30. Investment property portfolio

		Valuation at 31 March 2023
		£
Newhaven	Industrial Facility	11,665,000
Rushden	Retail Warehouse	6,380,000
Mortlake	Serviced Offices	4,665,000
London	Central London Residential	4,100,000
Aberdeen	Industrial Unit	3,725,000
London	West London Industrial Site	4,830,000
Saffron Walden	Retail Warehouse	3,700,000
Bedford	Industrial Unit	4,070,000
Braintree	Service Station	3,575,000
Glasgow	Industrial Unit	3,830,000
		50,540,000
Other property holdings under £3.5m		78,998,500
		129,538,500

Valuation Summary

The independent valuation of the investment portfolio, undertaken by Lambert Smith Hampton, independent chartered surveyors, as at 31 March 2023, shows an increase of £234,940. This represents a 0.2% increase (2022 - 7.7% increase) in valuation when compared like-for-like with the 31 March 2022 valuation.

GLENSTONE REIT

Company information

Directors:
C L Powell
R Shaunak
A C Smith
B P Green
R P Maybury

Registered office:
6 Duke Street
London W1U 3EN

Registered number:
00986343

Auditors:
Crowe U.K. LLP
55 Ludgate Hill
London EC4M 7JW

Bankers:
Handelsbanken plc
Richmond Branch
31 The Green
Richmond,
Surrey TW9 1LX

Lloyds Bank plc
3rd Floor
10 Gresham Street
London EC2V 7AE

Valuers:
Lambert Smith Hampton Ltd
55 Wells Street
London W1T 3PT

Solicitors:
Knights plc
34 Pocklingtons Walk
Leicester LE1 6BU

Registrars:
Link Group
Central Square
29 Wellington St
Leeds LS1 4DL