RNS Number : 6755G
Mailbox REIT PLC
31 March 2022

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Mailbox REIT Plc

("Mailbox REIT" or the "**Company**")

First annual results show valuation increase, strong progress on asset management plan and continued delivery of IPO dividend target

The Board of Directors of Mailbox REIT plc (the "Company" or "Mailbox REIT") is pleased to present the Group's first Annual Report (the "Report") and consolidated financial statements as a public listed company for the year ended 31 December 2021. The principal activity of the Group is to generate income and capital growth in the Mailbox ("the Mailbox" or "the Property").

On 14 May 2021, the Company was admitted to trading on the Wholesale Market of International Property Securities Exchange ("IPSX") with 84.85 million shares in issue. The listing raised additional capital of £83.9 million (of which £25.9 million was raised in cash proceeds), including £75.5 million of share premium which were subsequently cancelled and taken to distributable reserves.

Financial highlights for the year ended 31 December 2021

- 2.6% increase in the valuation of the Mailbox to £185.8 million, as at 31 December 2021, an uplift of £4.7 million (of which capital expenditure contributed £3.3 million) compared to December 2020. The valuation shows a net equivalent yield of 6.22% (2020: 5.90%) and reflects the progress made with the Company's retail to office asset management strategy and the positive impact of the easing of lockdown measures during the period on retail and leisure tenants.
- Net Asset Value ("NAV") of £85.95 million or 101.30 pps (2020: Deficit of £8.15 million or loss per share of 814.50 pps).
- £10.3 million of rent (before service charge) recognised during the period (2020: £11.0 million), of which £1.3 million was related to lease incentives (2020: £2.1 million).
- £0.8 million reversal in the provision on tenant receivables driven by write offs of tenant receivables relating to the prior year. This was also impacted by certain tenants having concession agreements in place in during the year and therefore agreed historic balances being accounted for as a lease modification.
- 17.7% increase in operating profit of £7.8 million before fair value changes (2020: £6.6 million) with a profit before tax of £1.8 million or 3.37 pps (2020: loss of £22.4 million or loss of 6,081.9 pps).
- Non-property operating expenses were £1.0 million (2020: £2.0 million), a reduction of 50% driven by £1.1 million Initial Public Offering ("IPO") costs that were incurred in the prior year.
- EPRA Earnings per share[1] ("EPRA EPS") of 3.43 pps (2020: 6.50 pps)[2] and Adjusted EPS[1] of 2.21 pps (2020: 511.67 pence loss per share).
- The Group has a £108.5 million loan facility with Deutsche Bank reflecting a loan to value ratio[1] ("LTV") of 58.6% on a bank valuation of £185 million (2020: £120 million, reflecting a loan to value ratio of 64.9% on a bank valuation of £185 million).

Operational highlights show strong rent collection and asset management progress

- Rent collection remains strong. At 16 March 2022, 97% of total contracted rents for 2021 were received. At the same date, the Group collected 99% of the December 2021 quarter day's contracted rent.
- Conversion of Level 1 to create 50,000 sq ft of offices from former retail space is progressing well with £3.3 million of the projected £9.3 million (based off the latest cost projection) having been invested at the balance sheet date and the new IWG Spaces services office due to open in Q2 2022. Funds raised at listing were allocated for this project.
- Overall vacancy by sq ft improved to below 5% during the final quarter as 15,000 sq ft of space was also leased, adding £400,000 to the rent roll (after rent-frees), with Castle Fine Art, an existing retail occupier, taking 8,000 sq ft of office space for its national headquarters, as well as Sixes Cricket Club signing as a new Food & Beverage offering in January 2022.
- The Mailbox had 40 tenants at 31 December 2021 with office and car park tenants representing 67% of the gross rent receivable with a weighted average unexpired lease term ("WAULT") of 13 years, 5 months to the earlier of break or expiry (2020: 14 years, 6 months to the earlier of break or expiry).

- **Dividend in line with initial 7% IPO target**
- Total cumulative dividends for the period from listing on 14 May 2021 to 31 December 2021 equate to 7.0 pps (on issue price) on an annualised basis, which is consistent with the policy of targeting an initial annual dividend payment of 7% or above.
- Dividends paid to date in respect of 2021 total £3.75 million including the dividend declared on 27 January 2022, which relates to the period from 1 October 2021 to 31 December 2021 and was paid on 25 February 2022.

- **Progress on Environmental, Social and Governance ("ESG") already driving returns**
- Formalised approach to sustainability with launch of pathway to Net Zero targeting zero direct emissions by 2030 and all emissions by 2040.

- £60,000 of annualised cost savings achieved alone through installing energy efficient lighting in common areas.
- Energy consumption down 18.4% over 2020 in the car park alone, reflecting a 1 month return on investment.

Commenting on the results Stephen Barter, Chairman of Mailbox REIT said: "*This is a very positive first set of full year results for Mailbox REIT as a publicly quoted company, with a 2.6% increase in Mailbox's valuation to £185.8 million as well as a 17.7% increase in operating profit before tax and fair value changes. This performance both underlines Mailbox's potential as a prime regional office-led, mixed-use asset and demonstrates our ability to deliver on the goals set out at IPO, particularly against a backdrop of a more confident economic outlook for the UK, and particularly for Birmingham and other main regional cities. Our asset management team have been very determined capturing renewed occupier confidence by leasing over 15,000 sq ft of office and food & beverage space, bringing our vacancy to below 5% and adding some £400,000 to the rent roll after rent-frees.*

"We have also prioritised our focus on improving the Mailbox's sustainability, formalising our approach by launching our pathway to net zero, targeting 2030 for landlord operations and 2040 for all operations. This is not only the right thing to do from a wider perspective but also has a direct impact on returns, helping negotiations with future and existing tenants and leading to an immediate improvement in energy efficiency, with over £60,000 of annualised cost savings already achieved by replacing lighting in common areas.

"With the UK beginning to return to normal after a tumultuous couple of years under the shadow of the pandemic, albeit against the background of the tragic events unfolding in the Ukraine, I now look forward to the future with continued confidence in both the resilience and potential for growth of Mailbox REIT."

ENQUIRIES

Mailbox REIT PLC	
Stephen Barter - Chairman	via FTI Consulting below
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The Company's ISIN is GB00BM9BWM32.

Further information on Mailbox REIT plc is available at www.themailboxreit.com[1].

NOTES

Mailbox REIT PLC The Mailbox REIT is a single asset REIT offering shareholders exposure to the performance of the Mailbox which is a prime regional office-led, mixed-use asset offering long-term secure income and the potential for value enhancement.

The Company's asset manager is M7 Real Estate Limited ("M7"). M7 is a leading specialist in the pan-European, regional, multi-tenanted real estate market. It has over 220 employees in 15 countries across Europe. The team manages over 570 properties with a value of circa €4.3 billion.

1 Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website or any other website, is incorporated into, or forms part of, this announcement nor, unless previously published on a Regulatory Information Service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

Loan Modification

Upon listing of the Company on the IPSX, the loan facility with Deutsche Bank was renegotiated, and a partial loan repayment was made reducing the loan facility to £108.5 million (2020: £120 million). In addition, the margin increased from 2.75% to 2.95% and £2.0 million of finance costs were incurred. During the year but prior to listing, the Group made repayments of £0.3 million and £1.5 million to the Deutsche Bank. At listing a further repayment of £9.7 million was made in addition to the payment of finance costs, both of which were funded with the proceeds from the listing.

Prior to the renegotiation of the loan facility and due to the impact of COVID-19, the Group obtained covenant waivers for the banking compliance on the January and April 2021 interest payment dates.

For the July 2021, October 2021 and January 2022 interest payment dates, the Group was fully compliant with the bank covenants.

The reduced loan balance allows for a more favourable position for the Mailbox REIT as the covenant levels of both LTV and Debt Yield remained unchanged, resulting in current and future strengthened covenant performance.

Parent loan redemption

On 14 May 2021, upon listing, the Group settled £58.0 million of its shareholder loans in exchange for shares in the Company. £8.9 million of intercompany loans and £1.8 million loan interest (total £10.8 million) were waived and treated as a capital contribution.

Alternative Performance Measures ("APM")

In assessing the performance of the Group, the Board and the Asset Manager use APMs including the European Public Real Estate ("EPRA") Best Practice Recommendations to supplement IFRS. EPRA measures are widely recognised and used by public real estate companies and investors and seek to improve transparency, comparability, and relevance of published results in the sector.

Reconciliations between EPRA measures and other APMs can be found in the appendices.

Definitions of APMs are given in the Key Performance Indicators, EPRA Performance Measures Calculations and APM Calculations sections.

Chairman's Statement

Overview

I am pleased to present a positive set of full-year results for Mailbox REIT in its first year as a publicly quoted company, following the admission of the Company's shares to the International Property Securities Exchange ("IPSX") on 14 May 2021.

During the year ended 31 December 2021, the Company's sole property asset - the Mailbox in Birmingham - performed well, allowing the Company to deliver on the initial goals set out at the time of the IPO for this prime regional office-led, mixed-use property. This performance, coupled with a more confident wider economic outlook despite the Ukraine conflict, particularly for the UK's main regional cities, led to a 2.6% increase in Mailbox's valuation to £185.8 million. Overall, the Company delivered a 17.7% increase in operating profit before tax to £7.8 million (2020: £6.6 million), before fair value changes.

Much of this success has been down to the determined asset management of the property to reflect new economic and public health conditions as well as ESG consciousness. Most notably, this has been illustrated in the conversion of 50,000 sq. ft of redundant retail space into higher income, higher value office space, now nearing completion. The newly renovated space comprises highly flexible, serviced office accommodation alongside co-working facilities. The space created will satisfy the needs of businesses of all sizes, from SME's up to multi-nationals, as well as those who just need a desk for a day. We have secured a 10-year operating agreement with IWG to manage the facility under its Spaces brand when it opens in Q2 this year. We believe that this addition will allow Mailbox to further benefit from the post-pandemic trends towards decentralisation and flexible working, as well as the already constrained supply of new and sustainable prime office space within the Birmingham market.

At the same time, the asset has shown impressive resilience over the past challenging year, with rent collection remaining strong at 97% at the time of writing. Whilst this performance was underpinned by our office and car park tenants consistently paying 100% of their rent, it was also pleasing to see that the F&B, leisure and specialist retail elements within the building have delivered new lettings and improved trading as government restrictions were lifted.

The new leases of over 15,000 sq. ft of office space and Food & Beverage space which were signed at the end of the year, brought Mailbox's vacancy to below 5% (by sq. ft), and will add some £400,000 to the rent roll once the rent-free periods expire. As a result, Mailbox is now 95.2% occupied with a weighted average unexpired lease term of over 13 years and 5 months to the earlier of break or expiry (2020: 14 years, 6 months). We expect these trends to improve further as both working and social behaviours adjust to a post-pandemic world.

The property delivered total annual rental income of £10.3 million (including lease incentive adjustments of £1.3m) during the year, derived primarily from a range of high quality anchor tenants that include the BBC, WSP, Q Park, Advanced Computer Software, as well as Vodafone and Harvey Nichols (2020: £11.0 million, including lease incentive adjustments of £2 million).

A significant priority for the Board is to ensure that we minimise the environmental impact of the Mailbox and that we do as much as we can to support and impact the local communities which we serve. We believe that these objectives are the right things to do and will help to deliver shareholder value in the future. As you will see in more detail later in the report, we have launched a pathway to net zero, targeting 2030 for landlord operations and 2040 for all operations. Not only will these initiatives help negotiations with future and existing tenants, they have already delivered an immediate improvement in energy efficiency, with over £60,000 of annualised cost savings achieved from replacing lighting within the common areas and car park alone. With sub-metering, SmartEnergy contracts and green lease clauses being introduced during the coming year, we can expect much further progress during 2022.

So in its first year as a public company, Mailbox has shown great resilience and has delivered a reliable dividend performance as well as laying the foundations for further growth in income and capital value. The Company has so far managed to deliver comprehensively on the expectations set out in the issue documents, and shareholders have been rewarded by a share price which has continued to trade at a spread above the issue price. Although the world remains a very challenging place, I am delighted that this first example of a new approach to investing in liquid commercial real estate has provided the stability and reliability it promised. I now look forward to the further growth and impact of Mailbox REIT.

Financial results

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
NAV/(liabilities) [£ million]	**85.95**	(8,145)
NAV per share [pence]	**101.30**	(814.50)
Operating profit before fair value changes [£'000]	**7,776**	6,604
Change in fair value of investment property [£'000][3]	**(35)**	(22,463)
Operating profit/(loss) [£'000]	**7,741**	(15,859)
Profit/(loss) before tax [£'000]	**1,828**	(22,439)
Earnings per share - basic and diluted [pence]	**3.37**	(6,081.19)

EPRA EPS - basic and diluted [pence]	**3.43**	6.50
Adjusted EPS[4] - basic and diluted [pence]	**2.21**	(511.67)
Gearing ratio [%]	**58.6%**	64.9%

Valuation

Avison Young undertook an independent valuation of the Mailbox as at 31 December 2021, which showed an increase of £4.73m from the figure as at 31 December 2020 of £181.1m, to £185.8 million. By sector, the value was

Sector	Market Value (£)	% of Market Value
Office	103,596,613	55.76%
Car Park	39,120,845	21.05%
Food & Beverage	21,486,776	11.56%
Retail	16,825,677	9.05%
Other	4,795,089	2.58%
Total	**185,825,000**	**100.00%**

**Rounded to nearest thousand in the Consolidated Financial Statements.*

Impact of Non-recurring items

The current year total profit has been impacted by non-recurring items such as costs of £0.3 million on the aborted Goldman Sachs refinancing which was explored prior to listing (the Group ultimately secured better terms with Deutsche Bank), a £0.3 million loss on senior loan modification and shareholder loan interest cost of £0.9 million relating to the pre-listing period in the year.

In addition, due to reversals from the prior year a credit of £42,458 (2020: expense of £1.1 million) of listing costs were recorded, and £0.1 million (2020: nil) were directly related to the issue of new shares and treated as a deduction of equity.

Prior period

The prior period figures reflect a time prior to the listing where the capital structure and cost base were set up differently. The NAV per share, EPS, EPRA EPS and Adjusted EPS figures are therefore not directly comparable to the numbers presented at 31 December 2021.

Shareholder Engagement

The Mailbox Board has actively engaged with key stakeholders, including current and prospective shareholders, throughout the past year by way of direct communication, an organised visit to the Mailbox (7 October 2021), and hosting an Investor Day (4 November 2021).

As part of its investor engagement strategy over the coming calendar year, the Board will continue to actively engage shareholders by offering a virtual platform to meet and communicate all material news flow including financial results, dividend announcements, ESG, and other key initiatives that will drive long-term value to Mailbox shareholders. This includes organising direct meetings with investors of significant ownership and hosting an Investor Day, with associated dates to be announced in Q2 2022.

Stephen Barter
Chairman

Asset Manager's Report

M7 Real Estate Limited, the Asset Manager, presents its report on the operations of the Group for the year ended 31 December 2021.

Introduction

Since its IPO, the Mailbox REIT has performed well and continued to deliver on the strategy set out at the IPO, when it became the first company to have its shares admitted to trading on IPSX, the new real estate focused stock exchange, despite the challenges presented by the COVID-19 pandemic. Through continued active asset management and engagement with tenants, the Mailbox has proved its resilience, particularly given the national and regional lockdowns which occurred during the period, as evidenced by the 97% collection rate of all rent demanded for the whole of 2021, as well as the 99% collected for the first quarter of 2022.

This continued strong rent collection allows the Mailbox to continue to provide investors with long term high yielding income, as well as the opportunity to increase this further through upcoming rent reviews, leasing up vacant space and through the continued reduction of running costs.

A further key driver of additional value and income is the conversion of the low income producing level 1 retail space to higher value office accommodation and the subsequent management agreement we have secured with Spaces. The works for this are progressing well and further details are provided below. We believe the initiative has the potential to add significant new net income to the asset.

The Mailbox's strong performance over the 12 months to December 2021, and the asset management initiatives we are undertaking have helped drive a 2.6% increase in the fair value of the property. Furthermore, despite relatively high volatility in the UK and world equity markets, the Mailbox share price has risen gradually since IPO, remaining above the issue price, and sitting broadly in line with the NAV per share.

As a result of the factors outlined above and the fact that the UK now seems to be emerging from the pandemic, M7 Real Estate, as the Mailbox's asset manager, remains optimistic about the Company's prospects.

Market Outlook

UK Economic Outlook

Headline GDP growth in 2022 could be between 4.5% and 5.1% but this is largely driven by base effects. The annual growth figures in the first half of 2022 are expected to be skewed as the economy comes off its low base due to the national lockdown in early 2021. Core underlying growth will continue to be relatively modest, following the low-growth trend we have seen this year driven by the normalisation of economic activity.

PricewaterhouseCoopers (PwC) anticipates GDP growth will slow down in 2022 as the economy returns to its pre-pandemic trend with the UK economy anticipated by the end of 2022 to be roughly 1% to 2% above the pre-COVID levels. From 2023 onwards, the pace of growth is projected to slow down further as base effects fall out of the annual figures. Under PwC's two scenarios, growth is expected to range between 1.3% and 1.8% in 2023.

Research produced by PwC in December 2021[5] suggested that the end of the furlough scheme has not set back the labour market recovery. Various indicators and surveys suggest that a significant majority of the 1.1 million workers still on furlough at the end of September remain in employment. However, it will take some months to understand the full impact of the end of furlough. This is because furloughed employees that have been made redundant will still be included in the payroll data while they serve out their notice periods. This means the short-term outlook for the labour market is cautiously optimistic.

Inflation is likely to reach its highest level for three decades in Q2 2022, before returning gradually back to target. Ofgem's price cap review, combined with the scheduled reversal of the VAT cuts for hospitality and tourism, is expected to create a perfect storm that creates upward pressure on inflation rates in the first half of 2022, which will likely be exasperated by the repercussions of the tragic events unfolding in Ukraine. This increase in inflation will positively impact the income profile of the Mailbox REIT plc with several tenants having index linked rent reviews. Inflation is expected to gradually fall back to target over the next 1-2 years, as the impact of these two factors fade, supply bottlenecks ease, and base effects dissipate.

UK Real Estate Outlook

Although the UK is not in the clear with regards to the COVID-19 pandemic, progress has been made and people are moving forward with a renewed sense of optimism, albeit somewhat tempered by the situation in Ukraine. An improving economy and the labour market holding stable following the removal of the furlough scheme provide a generally positive backdrop for real estate in 2022.

2021 saw a resurgence of demand for high quality workspace, which has driven a sharp recovery in take-up across the regional office markets, subsequently pushing prime rents to new highs. At the time of this report, Q4 2021 data was not readily available, however from an occupational perspective, it was clear that regional office recovery was gathering pace. At 2.2m sq ft, Q3 2021 take-up across 20 key UK regional markets combined was the strongest quarterly outturn since the onset of the pandemic. Q4 2021 take-up was forecast to hit an impressive 2.7m sq ft, 17% above trend. Consequently, take-up in 2021 is expected to be circa 8.1m sq ft, rebounding by 42% over 2020 and only 12% below the annual average.

The impact of the pandemic has done little if anything to affect prime headline rents across the regional markets and many have actually witnessed growth. Nine of the 20 key markets saw prime headline rents tick-up during 2021, with six of the 20 markets tipped to see prime headline rental growth in excess of 10% on current levels by the end of 2023, including Birmingham city centre (+15%), Leeds (+12%) and Newcastle (+11%).

Meanwhile, the investment market has also been improving, underscoring the faith investors have towards regional offices. £913 million of regional office assets changed hands in Q3 2021, the first time that volumes have run ahead of the quarterly average since Q3 2019. Q4 was forecast to deliver the strongest quarter of volume in 2021.

Various research houses predict that for 2022 office market take-up will return to trend levels, driven by healthy levels of job growth and the release of pent-up demand. It will be the year that sees companies test out new occupational strategies, however it is not believed that this will be concluded in 2022. ESG will take centre stage as occupiers focus on occupying the greenest buildings available. The environmental quality of buildings, coupled with their amenity offering and ability to promote occupier wellness are believed to be the primary factors that will lead to a marked divergence in performance between prime and secondary stock.

Birmingham Office Market Outlook

Even against a background of continued COVID-19 related challenges, the Birmingham office market increased momentum during 2021 to deliver a great year. The number of office space transactions was almost double that of the previous year, with 94 transactions taking place in 2021 against the 50 transactions that took place in 2020, and only 21% down on the 10-year average of 119.

The total square footage was 26% higher than 2020, with 656,735 sq ft of office space being let up against 520,810 sq ft in 2020. The total for 2021 was only 10% down on the 10-year average of 726,056 sq ft. The market was dominated by transactions in both the 20,000-50,000 sq ft size band, which accounted for 39% of take up and requirements for spaces of 10,000 sq ft and below which made up 38% or 147,216 sq ft of transacted space. While the Mailbox does not currently have any office suites available in the larger of these bands, the strength of the market for smaller requirements is promising not only for the office space being offered by Spaces on level 1 of the Mailbox, but also for the vacant 7,500 sq ft office space on level 7.

As previously mentioned, the importance of ESG related credentials became significantly more pronounced in 2021, quickly becoming an ethical priority for businesses, both large and small, with increased emphasis on the 'social' and 'governance' elements, as opposed to just the 'environmental', which were previously the main focus. It is becoming a central aspect of how businesses define themselves and this is having a significant impact on the occupational market, with prospective tenants making ESG values a priority when considering their next office and providing a key competitive advantage for those assets with the right credentials. More information on the ongoing ESG initiatives at the Mailbox can be found below on page 12.

Financial results

Avison Young performed an independent valuation of Mailbox as at 31 December 2021, which showed in a 2.6% or £4.7 million gain in market value during the year.

Total rental income earned from the portfolio for the year ended 31 December 2021 was £10.3 million, excluding service charge and direct recharge (2020: £11.0 million), contributing to a 17.7% increase in operating profit of £7.8 million, before fair value changes (2020: £6.6 million).

£0.8 million reversal in the provision on tenant receivables driven by write offs of tenant receivables relating to the prior year. Also impacted by certain tenants having concession agreements put in place in the year and therefore agreed historic balances being accounted for as a lease modification.

Administrative and property operations expenses but excluding service and direct recharges, and other costs attributable to the running of the Group, were £3.3 million for the year (2020: £3.7 million).

The Group incurred finance costs of £5.9 million during the year (2020: £6.6 million), being lower because of the reduction in the Senior loan balance of £108.5 million (2020: 120 million).

The profit before tax for the year to December 2021 of £1.8 million (2020: loss of £22.4 million) equates to a basic earnings per share of 3.37 pps (year ended 31 December 2020: loss per share of 6,081.19). The profit before tax has been impacted by non- recurring items such as costs on the aborted refinancing of £0.3 million, a £0.3 million loss on senior loan modification and shareholder loan interest of £0.9 million relating to the pre-listing period in the year.

In addition, due to reversals from the prior year a credit of £42,458 (2020: expense of £1.1 million) of listing costs were recorded, and £0.1 million (2020: nil) were directly related to the issue of new shares and treated as a deduction of equity.

EPRA EPS for the year was 3.43 pence which, based on dividends declared of 4.42 pence, reflects a dividend cover of 77.6%.

Adjusted EPS for the year equates to cash generated from operations (and therefore excludes movements in accrued rent smoothing debtors, impairment of rent receivables, non-cash portion of interest expense, the impact of the loan modification and the amortisation of loan arrangement fees) were 2.21 pence which, based on dividends declared of 4.42 pence, reflect a dividend cover of 50.0% (please see appendix 2).

The Group's NAV as at 31 December 2021 was £85.95 million or 101.30 pps (2020: Deficit of £8.15 million or loss per share of 814.50 pence).

Financing

On 14 May 2021, the Group amended its loan with Deutsche Bank which resulted in a reduction of the principal balance to £108.5 million (2020: £120.0 million). This also resulted in an increase in the margin to 295bps + SONIA (2020: 275bps + SONIA) as well as incurring additional upfront fees of £2.0 million. The Initial Maturity Date remains as 20 January 2023 with options to extend.

Valuation

As at 31 December 2021, the Group's property had a fair value of £185.8 million (2020: £181.1 million), a year-on-year increase of 2.6%. The fair value has increased during the year following the gradual easing of lockdown measures the conversion of the level 1 retail space to office and the positive leasing momentum in the retail and Food & Beverage units. Please refer to note 9 of the Consolidated Financial Statements for a reconciliation of the fair value movement.

Summary by Sector as at 31 December 2021

	Valuation (£)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Gross Contracted Rental Income (£)
Sector					
Office	103,596,613	55.76%	95.58%	7.3	4,801,612
Car Park	39,120,845	21.05%	100.00%	31.5	1,863,950
Food and Beverage	21,486,776	11.56%	89.81%	8.7	1,974,051
Retail	16,825,677	9.05%	77.32%	19.2	1,060,275
Other	4,795,089	2.58%	91.75%	10.2	262,339
	185,825,000	**100.00%**	**93.72%**	**13.5**	**9,962,227**

Top Five Tenants

Tenant	Sector	% of Total Current Gross Rent
British Broadcasting Corporation	Office	21.51%
Q- Park Limited	Car Park	18.58%
Advanced Business Software and Solutions Limited	Office	13.30%
WSP UK Limited	Office	11.58%
Harvey Nichols and Company Limited	Retail	5.76%

Lease Expiry Portfolio

Year	Expiring contracted rent (£)	% of total
2022	18,000	0.18%
2023	209,512	2.10%
2024	49,250	0.49%
2025	619,753	6.22%
2026	2,654,141	26.64%
2027	-	-
2028	-	-
2029	331,425	3.33%
2030	370,900	3.72%
2031	1,325,039	13.30%
2032	260,339	2.61%
2033	944,632	9.48%
2034	111,500	1.12%
2035+	3,067,736	30.79%

Key Asset Management Initiatives

Level 1 Retail to Office Redevelopment

M7 Real Estate, as Asset Manager, continues to work with IWG to transform former retail space into a state-of-the-art flexible office and co-working space that is due to open its doors in Q2 2022. The 50,000 sq ft space will be operated under IWG's Spaces brand and will provide a full range of workspace options, offering solutions for businesses of all sizes, who are seeking stylish open, collaborative or private working spaces.

Spaces at The Mailbox will also support over 350 OpenDesk workspaces, making it the largest OpenDesk hub in IWG's global portfolio. OpenDesk offers maximum flexibility and greater privacy than traditional co-working, using magnetic screens to create privacy or clusters for larger teams or for meetings. Each workspace can be accessed using Spaces' mobile app, providing 24/7 working for members.

OpenDesk was created in direct response to the growing demand for flexible workspace, which was further accelerated by the COVID-19 pandemic and follows IWG's commitment to locate world-class flexible workspace facilities at employees' doorsteps and close to public transport, reducing their commutes and supporting hybrid working.

Birmingham is one of the UK's fastest growing regional centres and is home to over 100,000 companies. Demand for flexible workspace is swelling nationally as employers and employees navigate their way out of the pandemic, with hybrid working being at the forefront of their work strategies. This is already filtering through to excellent demand at Mailbox with 15% of the space already pre-committed in an asset class where leasing generally takes place only once the facility is open.

Additional leasing activity taking vacancy to below 5%

Q4 2021 saw further leasing activity with the completion of 15,000 sq ft of leases on vacant space, further reducing Mailbox's current overall vacancy by sq ft to less than 5%. This included signing a new lease with Castle Fine Art, which already operates a gallery in the retail space and has taken 8,000 sq ft of offices to house its national headquarters, as well as Sixes cricket club, which will open its doors as the latest addition to the F&B offering in January 2022. These leasing deals will add a further £400,000 to the rent roll (after rent frees).

M7 Real Estate Limited
30 March 2022

Environmental, Social and Governance ("ESG") matters

As the first asset listed on the IPSX this is an opportune moment for The Mailbox to establish an approach to ESG that delivers long-term value for investors and demonstrates a nuanced understanding of its operating environment.

The Mailbox has not yet undertaken a report on ESG performance but recognises the rapidly growing demand for credible, evidence-based ESG reporting. ESG reporting data gathering commenced during 2021.

The Mailbox retained Carbon Intelligence to assess the asset's current ESG-relevant performance, make recommendations on key points of differentiation and competitive advantage using ESG as a platform, and to provide a roadmap for The Mailbox to move to a position of market-leadership.

The Mailbox has strong alignment with Birmingham's priorities. The Mailbox has made important headway around Net Zero ambitions and environmental management and has several social and community programmes underway.

In its next stage, The Mailbox will build capacity to report on agreed outcomes; reflect measurable changes against a baseline; transparently communicate performance; and focus on outcomes that increase the asset's resilience in environmental, social and economic terms.

Reporting	Performance	Engagement
In progress: Scope 3 Reporting; GHG	1. KPI setting	In progress: Operational targets (e.g. diversity, health & wellbeing, resource use)
Reporting or Carbon Reporting	2. Health and wellbeing data	1. Tenant Engagement
1. Reporting framework selection	3. Tenant data	2. Client/employee training
2. Investor Reporting & External ESG Reports	4. Community investment data	3. Supplier Engagement
	5. Case studies on social value outcomes	

Data	Governance	Direction
In progress: Data platform	In progress: Accreditation and standards	In progress: Net-zero strategy
1. Data gathering and sharing	1. Regulatory responses	1. Target setting on ESG
	2. ESG committee	2. Frameworks (UN SDGs, Birmingham City Plan)

Aligning with Birmingham

As a multi-use asset, The Mailbox has the opportunity to reflect this progressive ethos, becoming an asset that is loved by its community of tenants, visitors and residents and instils a sense of pride and belonging by understanding and integrating the needs of the community. This will require a dedicated place-based approach to assessing the spatial priorities of stakeholders.

Birmingham will be leveraging opportunities to integrate biophilia to improve health and wellbeing, reduce air pollution, urban cooling and boost storm water interception. The Mailbox can play a key role in facilitating access to nature within the city by building on the recent vote of public confidence it received as part of the Taskforce for Lung Health / Take a Breath 'BreatheInBrum' campaign.

As part of Birmingham's Road to Net Zero, transitioning to a zero-carbon transport system is a key priority. The city has invested in over £1 billion in low carbon transport infrastructure. The Mailbox's car parking area can be reviewed to explore how the asset can support tenants, visitors and employees to make climate positive journeys to, from, and via The Mailbox (e.g. EV charging points, active travel facilities, public transport routes). The Mailbox currently has just four EV charging points, however Q Park & Mailbox are exploring options to significantly increase the EV charging capacity onsite.

The Mailbox's location on the Birmingham Canal Old Line has already anchored highly popular community events such as the Dragon Boat race in 2021. It represents an opportunity to align with Birmingham's objective of reviving waterways and supporting the ongoing restoration of canals throughout the city centre as a destination for leisure and recreation, habitat creation, reduction of flood risk and improved drainage.

Underutilised space will come under increasing scrutiny in the city and The Mailbox has the opportunity to offer creative, low- cost space for community amenity, for instance through on-site community food-growing or energy production projects. Small pockets of space can be transformed and offered to grow edible fruit and vegetables, bee keeping, hydroponic crops, brewing, and so on. This can be supported by building networks among local businesses and leveraging tenant and supply chain connections to local business.

Mailbox ESG Objectives

1. Minimising our Environmental Impact

Measures to reduce our greenhouse gas ("GHG") emissions and energy use include procuring renewable energy, reducing consumption, adopting efficient technology, improving building efficiencies and broadening stakeholder engagement to better understand our occupiers' and stakeholders' needs and priorities.

2. Health & Wellbeing

We believe in total health, which means catering to both physical and mental wellbeing, and our shared spaces echo this vision. This will see the roll out of some health & wellbeing initiatives onsite to encourage wellbeing within the workplace and helping tenants to create positive environments for their employees.

From onsite yoga and meditation to lunch time running clubs along one of Birmingham's most popular canals, the Mailbox understands the importance of physical and mental wellbeing.

3. Occupier Engagement

As building owners, we cannot achieve our environmental targets without the support and participation of our occupiers. The importance of collaboration between landlord and tenant will be key to minimise our environmental impact and meet our Net Zero targets for the asset and the shared ESG needs and priorities of our stakeholders and will form a very important workstream for 2022 and beyond.

4. Supporting Our Communities

The Mailbox is one of the largest mixed-use assets in the UK, and one of Birmingham's favourite city centre locations. The canal side location provides important social & amenity space for the community.

Our ambition is to ensure Mailbox provides the right mix of convenience, value, entertainment, and services for stakeholders' everyday needs. A true live, work & play environment.

We also use space within the asset to support and raise awareness of local charities.

Alignment to the United Nations Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

1	NO POVERTY	3	3 GOOD HEALTH AND WELL-BEING
7	AFFORDABLE AND CLEAN ENERGY	8	DECENT WORK AND ECONOMIC GROWTH
11	SUSTAINABLE CITIES AND COMMUNITIES	12	RESPONSIBLE CONSUPMTION AND PRODUCTION

1. Minimising our Environmental Impact

We are committed to minimising Mailbox's impact on the environment and have set out a pathway to Net Zero carbon, targeted for 2030 for direct operations and 2040 for all operations.

Mailbox has worked with carbon intelligence in the development of the pathway to Net Zero Strategy. It is the result of a detailed review of Mailbox's carbon footprint to understand challenges and opportunities in achieving Net Zero emissions status across the whole building.

Measures to reduce our GHG emissions and energy use include procuring renewable energy, reducing consumption, adopting efficient technology, improving building efficiencies and engaging with our occupiers and stakeholders to better understand their needs and priorities, and ensure alignment with Mailbox's environmental ambitions.

The UK government has set legislation to be a Net Zero economy by 2050 with an emissions reduction target of 78% by 2035. Many occupiers within Mailbox have committed to being Net Zero and our aim is to work with our stakeholders to ensure this ambition becomes a reality. Significant decarbonisation will be required in both tenant and landlord-controlled areas as regulatory drivers and public expectations intensify to ensure that Mailbox continues to be one of the most appealing locations to occupiers and visitors alike.

While being the right thing to do from an environmental perspective, this pathway is also crucial to maintaining and growing shareholder returns, by both defending the value of the Mailbox and driving occupier interest and therefore rental growth.

Mailbox is committed to the United Nations Sustainable Development Goals (SDG: Climate Action)

- **ISO 50001 Accreditation**

  In April 2021, Mailbox's Energy Management System (EnMS) was certified as conforming with ISO50001:2018, the international standard for energy management.

  The ISO50001:2018 certificate of approval is formal recognition that Mailbox has an effective EnMS, which has been designed to promote and ensure continual improvement in the organisation's energy performance.

  ISO certification validates a best practice approach to energy management and underlines the Mailbox's commitment to energy performance improvement, giving stakeholders the reassurance that a best practice energy management system is in place.

- **Car park lighting upgrade**

  In Q4 2020, Mailbox partnered with our carpark operator, Q Park to upgrade the lighting within the carpark. A total of 675 inefficient 92w linear fluorescent fittings were replaced with 26w LED equivalents. This project resulted in a 72% energy saving and an annual cost saving of over £53,708. The project cost saving over the 10-year life cycle of the fittings is £538,556 with a return on investment of 16 months.

72%	**£53,708**	**£538,556**
Energy Saving	**Annual Cost Saving**	**Cost Saving Over Life**
389,189 kWh	**16 Months**	**217,946 kg**
Annual Energy Saving	**Return on Investment**	**CO2 Saving**

- **Core Stairwell Lighting Conversion Project**

  The light fittings within Mailbox's stair cores were converted to LED in 2021. A total of 387 48w fluorescent lamps were replaced with 22w LED lamps throughout. This project resulted in a 54% energy saving and an annual cost saving of over £12,130. The project cost saving over the 10-year life cycle of the fittings is £41,657 with a return on investment of 1 month.

54%	**£12,130**	**£41,657**
Energy Saving	**Annual Cost Saving**	**Cost Saving Over Life**
87,902 kWh	**1 Month**	**49,225 kg**
Annual Energy Saving	**Return on Investment**	**CO2 Saving**

- **Sub Metering of Significant Energy Uses**

  During 2021, we have continued to implement our electricity sub-meter installation programme, providing us with the capability to monitor the electricity consumption of the Mailbox's significant energy uses more accurately, including passenger and goods lifts. This will give us the ability to identify improvement opportunities in real-time and flag operational issues with a view to an overall reduction in energy consumption.

- **SmartestEnergy Contract**

  In April 2021, Mailbox's energy broker Inenco entered into a new five-year contract with SmartEnergy covering all landlord-controlled electricity supplies. These electricity supplies are all certified 100% renewable by Carbon Trust and led to the Mailbox being awarded a 'Renewable Electricity Commitment Certificate' with an A+ Rating.

  Mailbox has also carried out a feasibility study to switch to green gas and it is anticipated that the landlord controlled gas supplies has been moved over to 100% green tariffs in Q1 2022.

2. Health & Wellbeing

The COVID-19 pandemic has had a significant impact on the working practices of many of our occupiers and customers alike. To ensure the mental and physical wellbeing of our stakeholders, we have made ensuring the promotion of healthy behaviours a priority. Furthermore, the Mailbox is committed to promoting Good Health & Wellbeing under the United Nations Sustainable Development Goals (SDG 3: Good Health & Wellbeing) and is proud to provide a high quality environment for our communities to enjoy.

Providing high quality amenity space is of upmost importance at Mailbox. In September 2021, Canalside at Mailbox was voted one of the city's favourite breathing spaces in Taskforce for Lung Health's 'Take a Breath' survey in which Birmingham residents were invited to name their favourite city location where they can enjoy their own breathing space, as part of a new campaign around lung health. This shows that the asset's public realm space is already viewed by our community as being an important provider of recreational and health value. The goal of enhancing air quality and natural landscape features forms part of the Mailbox's ambition to provide amenity space for the health and wellbeing of our stakeholders.

In Q1 2022, The Mailbox launched a health & wellbeing initiative for our stakeholders. We have converted a vacant retail unit to a health and yoga studio where guided yoga classes and mindfulness classes have been offered to our occupiers to ensure we are positively contributing to their mental health and wellbeing needs.

3. Occupier Engagement

The Mailbox cannot achieve our environmental targets without the support and participation of our occupiers. The importance of collaboration between landlord and tenant will be key to minimising the environmental impact and meet our Net Zero targets for the asset and the shared ESG needs and priorities of our stakeholders.

Collaboration on ESG through shared data collection, baselining and training can help to pull down barriers between landlords and occupiers, unlocking new opportunities through tenant attraction, retention, enhanced productivity, and cross-utilisation of the mixed-use asset.

- Mailbox has expanded the **green lease** clauses within its leases and updated the Occupier Handbook/fitout guides to encourage our occupiers to provide sustainable fitouts and alterations, working collaboratively in relation to reporting and data sharing; and waste & recycling commitments.

- 2022 will also see the start of a proactive **tenant engagement programme** roll out which will be a great forum to review key ESG impact areas including energy, wellbeing and biodiversity. One of our key drivers is creating opportunities for collaboration to drive value through ESG performance, and we identified a significant opportunity to create a platform for collaboration on shared ESG goals and collection of data. Over the last 12 months, we have been working to develop a brand-new **Occupier Portal** which will be launched in April 2022. The portal will include a bespoke sustainability module, which will allow occupiers to view up to date environmental and sustainability performance data for the common areas and provide a centralised location for occupiers to share their **consumption data** that can be used to help Mailbox reach its ambition of achieving net zero by 2030 (direct operations) and 2040 (indirect operations).

- **Living Wage**

  From the 1 April 2022, we are proud to announce we will be implementing Fair Living Wage policies for all directly employed contractors across the asset and will be accredited by the Living Wage Foundation to ensure everyone is paid the statutory National Living Wage as a minimum.

4. Supporting our communities

The Mailbox has been an iconic part of the Birmingham community for 50 years, and while it has changed use from the country's largest postal sorting office in the 1970s to one of the UKs largest mixed-use assets today, it is one of Birmingham's favourite locations.

It is so important to ensure that, by understanding and integrating the needs of community, The Mailbox is loved by its community (including tenants, visitors and residents) and instils a sense of pride and belonging (UN SDG 11: Sustainable Cities & Communities).

Some of the social value initiatives we are involved in:

- **Birmingham Women's & Children's Hospital Foundation Trust, Dragon Boat Race (Fundraiser)**. In September 2021, The Mailbox hosted the inaugural Dragon Boat Race, making the most of its iconic location on Birmingham's canals. 23 boats competed, in teams of 17 with a minimum sponsorship of £2,400 per team. **Outcome:** The funds raised totalled £127,277.99, which made this the single biggest non-partnered fundraising event in the history of the charity. The success of the event solidified an ongoing partnership between The Mailbox and the charity and has led to a sold-out event for 2022.

  Feedback: "To have such a well-established and reputable venue host us no doubt played a massive part in the success that it was. The tone really was set by [The Mailbox] and we feel really lucky to have has such brilliant access and support on the build-up and on the day itself. We are really excited about how much further we can take this event in partnership with you all at The Mailbox and ensure its one not to be missed in the Midlands calendar." **Birmingham Women's & Children's Performance Hospital Foundation Trust**

- M7 has been in partnership with **LandAid** since 2016 and The Mailbox hosted annual **Sleep Out Fundraiser** on 10 March 2022. LandAid is asking for participants to spend one night outside - not to replicate sleeping rough, but to give them an idea of the harsh realities faced by a growing number of young people.

  In 2021 an estimated 121,000 young people across the UK approached their council as they were homeless or at risk of homelessness - a 40% rise in five years. This year, LandAid has an ambitious fundraising target of £500,000 and Mailbox in partnership with Q-Park will host this year's Birmingham event.

- **Case Study: Celebrating heritage**

  Activity: As part of Birmingham Heritage Week (9 - 19 Sept 2021), The Mailbox partnered with Network Rail to offer members of the public a tour of a forgotten underground tunnel linking Mailbox to Birmingham New Street station. When the sorting office opened in 1970, it was the largest building in the city, with a floor area of 81,000 sq metres.

  The building closed in the late 1990s and was redeveloped into the Mailbox. However, while the sorting office above was transformed, the old postal tunnel remained frozen in time. Activating the building's history through community interaction can create a positive feedback loop between local residents and the asset.

  Outcome: There were 30 spaces available and the event proved extremely popular with more than 300 people applying by way of a public ballot to go on the tour of the 400-metre-long tunnel.

  Feedback: Bethanie Hayton, tour organiser from Network Rail, said: *"We were blown away at the number of people who applied for tickets to get a rare glimpse of this near forgotten tunnel linking New Street to the old sorting office. Delivering mail by rail used to be a huge part of railway business so it was fascinating to arrange these tours and remember the past."*

Leveraging the arts - Partnership with Artis Foundation:

About Artis: In December 2021, The Mailbox entered into a partnership with the Artis Foundation, which delivers arts-integrated learning programmes for children and young people. Since its formation in 2004, Artis have partnered with over 775 schools and supported over 388,000 children to reach their potential.

Artis works with headteachers to understand the needs of each school so that together they can develop bespoke creative learning plans designed to tackle their specific challenges, from poor literacy or numeracy skills to issues around bullying or mental health.

By listening to and understanding the requirements of each of their partner schools they are able to match them with Artis Specialists whose knowledge, skills and experience meet their needs.

Making a Difference

Artis uses movement, music and performance to reinvigorate teaching and engage all children back into learning regardless of their physical, emotional or behavioural challenges.

"Even in just one session, extraordinary things can happen. A child who has never spoken before saying their first words in an Artis session. A child who is about to be excluded being completely inspired in an Artis session and feeling that this is something they can do and be good at. That is the most exciting thing. So, if you can go and see an Artis session at a school I highly recommend it. It's an utter pleasure.".

Rebecca Boyle Suh, Artis Co-Founder & Executive Chair

Mailbox Birmingham St George's Church of England Primary

Mailbox is delighted to be partnering with Artis to enable the children and teachers at St George's Church of England Primary to benefit from one day a week of its creative learning programme.

Based in Edgbaston, 62% of the children at St George's access free school meals, 54% have English as an additional language and 22% have special educational needs. Leading a school with a high percentage of pupils experiencing a range of complex challenges - including deprivation, hunger, mental health issues, domestic violence and gang affiliation.

St George's Head Teacher Shirley Atkar engaged Artis to help enrich the school's curriculum through the arts.

"Children can enhance their creativity and expression through drama and music and apply their learning. It builds confidence, oracy and positive behaviour through practical experience across the curriculum."

Artis Specialists support teachers to develop their practice through training across a whole academic year, upskilling them so that creative techniques and approaches to learning can be embedded both in the classroom and throughout the entire school.

"The most inspirational teachers are those who can influence and ignite learning. Without the arts I believe this is impossible. We must train teachers who have had little or limited experience themselves during their own learning so that they value the importance of them."

St George's Head Teacher Shirley Atkar

2021 Energy Performance Report

Mailbox REIT exceeded its 2021 electricity and gas consumption reduction targets.

Energy Source	2021 Target	2021 Actual
Electricity	-9%	-18.4%
Gas	-35%	-55.9%

On 21 April 2021, Mailbox's EnMS was certified as conforming with ISO50001:2018.
Total Scope 1 & 2 (Location-Based) GHG emissions for 2021 were 29.8% lower than 2020.

Energy Performance Review

Total Energy Consumption (Electricity + Gas) (MWh) - Mailbox Estate Common Areas

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	% to Previous Ytd
2019	432.199	438.989	405.307	362.723	253.523	226.010	229.731	238.211	230.194	280.707	364.116	419.312	**3881.022**	
2020	394.891	386.678	328.009	170.210	177.134	181.159	200.157	204.866	208.145	284.148	217.362	280.581	**3033.340**	-21.84172107%
2021	236.310	221.797	246.584	196.384	188.150	162.740	144.362	138.625	145.426	157.129	206.088	240.675	**2284.270**	-24.69456111%

Commentary:

Overall energy consumption for 2021 was 24.6% lower than the previous year.

Electricity (MWh) - Mailbox Estate Common Areas

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	% to Previous Ytd
2019	330.862	280.768	274.337	259.541	253.519	226.010	229.731	231.950	230.194	280.013	280.653	284.434	3162.012	
2020	260.910	254.554	262.644	170.210	177.107	181.159	200.157	204.866	208.145	213.438	174.436	219.474	2527.100	-20.07936719%
2021	209.428	178.960	200.257	195.785	187.521	160.940	144.362	138.625	145.426	151.394	167.281	181.135	2061.114	-18.43955522%

Commentary:

Overall electricity consumption for 2021 was 18.4% lower than the previous year. The reduction was due to:

1. Lighting improvement projects, which have been completed over the course of the last 12 months, with the biggest positive impact coming from the replacement of the light fittings in the car park.
2. The removal of some electrical services as part of the level 1 redevelopment activity, including various lighting circuits and two escalators.
3. Improved management control of electricity consuming plant, equipment and services.
4. Reduced building usage due to COVID-19.
5. The fact the façade and canopy uplighters at the front of the Mailbox building have remained off for the entire year due to an ongoing upgrade project.

Gas (MWh) - Mailbox Estate Common Areas

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	% to Previous Ytd
2019	101.337	158.221	130.970	103.182	0.004	0.000	0.000	6.261	0.000	0.694	83.463	134.878	**719.010**	
2020	133.981	132.124	65.365	0.000	0.027	0.000	0.000	0.000	0.000	70.710	42.926	61.107	**506.240**	-29.59207800%
2021	26.882	42.837	46.327	0.599	0.629	1.800	0.000	0.000	0.000	5.735	38.807	59.540	**223.156**	-55.91893173%

Commentary:

Overall gas consumption for 2021 was 55.9% lower than the previous year. The reduction was due to:

1. The decommissioning of the Air Handling Unit (AHU) serving level 1.
2. A reduced requirement to heat the building during COVID-19 2021 winter lockdown.
3. Improved management control of the usage of the AHUs.

Greenhouse Gas Emissions

Mailbox has followed UK Government environmental reporting guidelines and used the UK Government 2020 GHG reporting conversion factors for company reporting to identify and report relevant GHG emissions over which it has operational control for the 12-month period to 31 December 2021.

Scopes

GHG emissions have been reported against the following 'Scopes', as defined by the GHG Protocol and where relevant:

- Scope 1 - direct emissions from owned vehicles, controlled boilers and fugitive emissions from air conditioning systems under landlord control.
- Scope 2 - indirect emissions from electricity purchased by the Group and consumed within real estate assets owned by the Company.

Statement of GHG emissions

The table below shows relevant GHG emissions for the assets common areas in the year to 31 December 2021. The approach taken follows guidance provided by the GHG Reporting Guidelines (BEIS, 2019) and EPRA Best Practice Recommendations on Sustainability Reporting 2017.

	2020	**2021**
Energy consumption used to calculate emissions (kWh)	3,033,340	2,284,270
Energy consumption break down (kWh)		
Gas Consumption	506,240	223,156
Electricity	2,527,100	2,061,114
Scope 1 - Gas (tCO_2e)	**93**	**41**
Scope 2 - (Location-Based) Electricity (tCO_2e)	**589**	**438**
Scope 2 - (Market-Based) Electricity (tCO_2e)*	**0**	**0**
Total Scope 1 & 2 (Location-Based)	**682**	**479**
Total Scope 1 & 2 (Market-Based)	**93**	**41**
tCO_2e per visitor (Scope 1 & 2 Location-Based)	0.00011123	0.00007812
tCO_2e per visitor (Scope 1 & 2 Market-Based)	0.00001517	0.00000669

** Purchased electricity is from 100% renewable sources*

The conversion factors used to calculate the 2021 emissions data were taken from the UK government's 'Conversion Factors 2021: Condensed Data Set (for most users)' document. Natural Gas KWh gross CV (kg CO_2e) = 0.18316. Electricity KWh (kg CO_2e) = 0.21233

Key Performance Indicators ('KPIs')

KPI and Definition	Relevance to Strategy	Performance
1. Equivalent Yield ("EY")[6]		**6.22%**
EY (true and nominal) is a weighted average of the Net Initial Yield and Reversionary Yield and represents the return a property will produce based upon the timing of the income received. The true equivalent yield assumes rents are received quarterly in advance.	The EY is an indicator of the ability of the Group to meet its target dividend after adjusting for the impacts of leverage and deducting operating costs.	At 31 December 2021 (31 December 2020: 5.90%)
2. Weighted Average Unexpired Lease Term ("WAULT") to break and expiry		**13 years, 5 months to the earlier of break or expiry and 13 years, 11 months to expiry**
The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The WAULT is a key measure of the quality of the portfolio. Long leases underpin the security of our future income.	At 31 December 2021 (31 December 2020: 14 years, 6 months to break and 14 years, 10 months to expiry)
3. Net Asset Value ("NAV")		**£85.95 million (101.30 pps)**
NAV is the value of an entity's assets minus the value of its liabilities.	Provides stakeholders with the most relevant information on the fair value of the assets and liabilities of the Group.	At 31 December 2021 (31 December 2020: net liabilities of £8.15 million, loss of 814.50 pps)
4. Dividend per share		**4.42 pps**
The Company targets an initial dividend of over 7.00 pps per annum.	The Company seeks to deliver a sustainable income stream from its portfolio, which it distributes as dividends.	For the year ended 31 December 2021, the Group declared Annualised 7.00 pps for the period from Admission (14 May 2021) to 31 December 2021. (31 December 2020: No dividends)
5. Adjusted EPS		**2.21 pps**
Adjusted EPS from core operational activities, as adjusted for non-cash items. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See note 8 to the consolidated financial statements.	This reflects the Group's ability to generate earnings from the portfolio which underpins dividends.	For the year ended 31 December 2021 (31 December 2020: loss of 511.67 pps)
6. Leverage (Loan to Value)		**58.6%**
The proportion of the Group's property that is funded by borrowings.	The Company utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 60% of the Property value (as per the bank valuation of £185 million (2020: £185 million)	At 31 December 2021 (31 December 2020: 64.9%)

Unaudited EPRA Performance Measures

EPRA Performance Measures provide a reporting framework which aims to improve transparency, comparability and relevance of published financial statements.

Detailed below is a summary table showing the EPRA performance measures in the Group (please see Appendix 1 of the consolidated financial statement and appendix 1 for further information) .

Measure and Definition	Purpose	Performance
1. EPRA (NIY)		**4.57%**
Annualised rental income based on the cash rents passing at the balance sheet date, less non- recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to compare the valuation of different portfolios.	At 31 December 2021 (31 December 2020: 3.83%)
2. EPRA 'Topped-up' NIY		**5.18%**
This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	A comparable measure for portfolio valuations. This measure should make it easier for investors to compare the valuation of different portfolios.	At 31 December 2021 (31 December 2020: 4.51%)
3. EPRA Earnings/EPS		**£1.86 million / 3.43 pps**
Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	EPRA earnings for the year ended 31 December 2021 (31 December 2020: £24,000 / 6.50 pps)
4. EPRA Vacancy		**6.99%**
Estimated Rental Value ("ERV") of	A 'pure' percentage measure of	EPRA Vacancy as at 31 December 2021

vacant space divided by ERV of the whole portfolio.	investment property space that is vacant, based on ERV.	(31 December 2020: 8.25%)
5. EPRA Net Reinstatement Value		**116 pps**
The EPRA NRV adds back the purchasers' costs deducted from the EPRA NAV and deducts the break cost of bank borrowings.	A measure that highlights the value of net assets on a long-term basis.	EPRA NRV for the year ended 31 December 2021 (31 December 2020: 416 pps)
6. EPRA Net Tangible Assets		**101 pps**
The EPRA NTA deducts the break cost of bank borrowings from the EPRA NAV.	A measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability. The Group has UK REIT status and as such no deferred tax is required to be recognised in the accounts.	EPRA NTA for the year ended 31 December 2021 (31 December 2020: negative 814pps)

EPRA Triple Net Asset Value (NNNAV) is equal to EPRA NAV as there are no adjusting items. As such this measure has not been presented.

EPRA Net Disposal Value is equal to EPRA Net Tangible Assets. As such this measure has not been presented.

Principal Risks and Uncertainties

The Group owns a single asset, The Mailbox, which is a commercial property located in Birmingham. Its principal risks are therefore related to the commercial property market in general, but also to the circumstances of the individual property and the tenants within the property.

The Board has overall responsibility for reviewing the effectiveness of the system of risk management and internal control, which is operated by the Alternative Investment Fund Manager ("AIFM") and, where appropriate, the Asset Manager. The Group's ongoing risk management process is designed to identify, evaluate and mitigate the significant risks the Group faces.

Annually, the Board undertakes a risk review with the assistance of the Audit Committee, to assess the adequacy and effectiveness of the AIFM's and, where appropriate, the Asset Manager's risk management and internal controls processes.

An analysis of the principal risks and uncertainties is set out in the table below which reflects the latest annual review carried out in March 2022 for the financial year 2021. This does not purport to be exhaustive as some risks are not yet known some risks are not deemed material but could turn out to be material in the future.

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
1. Tenant Default		
Failure by tenants to comply with their rental obligations could affect the income that the property generates and the ability of the Group to pay dividends to its shareholders.	Our maximum exposure to any one tenant (calculated by contracted rental income) was 21.51% at 31 December 2021.	Probability: Low to moderate Impact: High Trend: Improving
Where the COVID-19 pandemic has a material impact on a tenant's business, tenants may be unable to comply with rental obligations.	The Asset Manager conducts ongoing monitoring and liaison with tenants to manage potential bad debt risk. During the COVID-19 pandemic the Group has, where appropriate, granted concessions for a limited period to a small number of tenants to settle their rent monthly and, whilst the Group continues to provide proportionate assistance to those tenants whose operations have been materially impacted, the cases have reduced since the removal of COVID-19 related measures was introduced.	
2. Property Location		
The Property is in Birmingham and the Group will, therefore, have greater exposure to political, economic and other factors affecting the Birmingham real estate market than more geographically diversified businesses.	The Birmingham Big City Plan is well underway, having started in 2010 and running for 20 years. The intention is to create a regenerated and rejuvenated city to rival London. This is further reinforced by infrastructure investments, such as (HS2).	Probability: Low Impact: Moderate Trend: Upward
3. Property Defects		
Due diligence may not identify all the risks and liabilities in respect of an asset (including any environmental, structural or operational defects) that may lead to a material adverse effect on the Company's profitability, the NAV and the Group's share price. Furthermore, there is a reliance on third party property and facility managers to ensure property defects are identified and rectified.	The Group's due diligence and ongoing maintenance relies on the work (such as legal reports on title, property valuations, environmental, building surveys) outsourced to third parties that have appropriate Professional Indemnity cover in place.	Probability: Low Impact: Moderate Trend: No change
4. Property Market		

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
Any property market recession, impact of COVID-19 or future deterioration in the property market could, inter alia, (i) lead to an increase in tenant defaults, (ii) make it harder for the Group to attract new tenants for its property and (iii) lead to a lack of finance available to the Group. Any of these factors could have a material adverse effect on the ability of the Group to achieve its investment objective. Furthermore, the wider market developments, the addition of new properties to the local market and tenants' intentions to relocate could also have adverse effects on the Group.	The underlying property is made up of various sub-sectors, whose performance are uncorrelated, therefore spreading, and mitigating risk. Furthermore, M7 as the Asset Manager is actively engaging with tenants to ensure their needs are met and that they are satisfied with the space.	Probability: Moderate Impact: Moderate to High Trend: No change
5. Property Valuations		
There may be an adverse effect on the Group's profitability, the NAV and the Company's share price as a result of a decrease in property valuation.	The Group uses an independent valuer (Avison Young) to value the property on a quarterly basis at fair value in accordance with accepted RICS appraisal and valuation standards.	Probability: Low to moderate Impact: Moderate to High Trend: No change
The BBC has a lease expiry in 2026 and is currently exploring options for a new design & build option in Birmingham. Should the BBC decide to vacate it could have an adverse effect on the asset's value.	The Group is undertaking extensive works to partake in the BBC re-tender and is working in consultation with the occupier on suitable renewal options within the Mailbox.	Probability: Moderate Impact: Moderate to High Trend: No change
6. Investments will be illiquid		
The Group invests in commercial property. Such investments are illiquid; they may be difficult for the Group to sell and the price achieved on any realisation may be at a discount to the prevailing valuation of the relevant property.	The Group holds a long let, secure income generating asset, so has the option to hold for income.	Probability: Moderate Impact: Moderate Trend: No change
7. Environment		
The Group is subject to environmental regulations that could impose liability on the Group. In addition to regulatory risk, there is a growing importance being placed on ESG credentials by tenants, which could lead to difficulty in letting vacant space.	The current regulations require annual mandatory GHG reporting, which has been carried out by the Asset Manager as part of the Annual Report. Furthermore, the Asset Manager has prepared an ESG strategy for the Mailbox to ensure it meets legal requirements and remains an attractive destination to potential tenants. Please see the section called 'Environmental, social and governance matters' for further information.	Probability: Moderate Impact: Moderate Trend: Upwards
8. Development		
Redevelopment, expansion and/or the refurbishment of the Property may be necessary in the future to preserve rental income and could be adversely affected by a number of factors.	The Asset Manager would require Board approval prior to executing any redevelopments, expansions, or refurbishments. Prior to seeking Board approval, the appropriate analysis would be undertaken and a thorough tender process would be executed to ensure any works are competitively priced. Additionally, the Asset Manager would ensure the suitable insurance is in place. The Asset Manager will work with brokers to widely market the space, including the use of online platforms. The Asset Manager was able to execute leases during the COVID-19 pandemic, a time when transactions were infrequent elsewhere in the market.	Probability: Low to Moderate Impact: Moderate Trend: No change
Asset management initiatives may be more expensive than anticipated and take longer to implement.		Probability: Low to Moderate Impact: Moderate Trend: No change
9. Breach of borrowing covenants		
The Group has entered into a term loan facility Material adverse changes in valuations and net income may lead to breaches in the LTV and debt yield covenants. If the Group is unable to operate within its debt covenants, this could lead to default and the loan facility being recalled. This may result in the Group selling property to repay the loan facility and this is likely to lead to a fall in its NAV.	The Group monitors the use of borrowings on an ongoing basis through periodic cash-flow forecasting and quarterly risk monitoring to monitor financial covenants. Furthermore, there is a hedge in place that protects the Group in the event interest rates start climbing.	Probability: Moderate Impact: High Trend: No change

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
10. Use of service providers		
The Group has no employees and is reliant upon the performance of third-party service providers. Failure by any service provider to carry out its obligations to the Group in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Group.	The performance of service providers in conjunction with their service level agreements is monitored via regular calls and face- to-face meetings and the use of KPIs where relevant.	Probability: Low to moderate Impact: Moderate Trend: No change
11. Dependence on the AIFM and Asset Manager		
The Asset Manager is responsible for providing investment advisory services together with asset management, operational advice, budgeting and planning for the Group's property. The future ability of the Group to successfully pursue its investment objective, among other things, depend on the ability of the Asset Manager to retain its existing staff and/or to recruit individuals of similar experience and calibre.	The Board meets regularly with the AIFM and Asset Manager to ensure it maintains a positive working relationship.	Probability: Moderate Impact: Moderate Trend: No change
12. Ability to meet objectives		
The Group may not meet its investment objective to deliver an attractive total return to shareholders from investing predominantly in a single asset. Poor relative total return performance may lead to an adverse reputational impact that affects the Group's ability to raise new capital and new funds.	The Group will have quarterly and ad hoc Board meetings where performance will be reviewed along with the Asset Manager.	Probability: Low to moderate Impact: High Trend: No change
13. Group REIT status		
In 2021, the Group obtained UK REIT status that provides a tax- efficient corporate structure. If the Group fails to remain a REIT for UK tax purposes, its profits and gains will be subject to UK corporation tax. Any change to the tax status or in UK tax legislation could impact on the Group's ability to achieve its investment objectives and provide attractive returns to shareholders.	The Group will monitor REIT compliance through the Asset Manager; the Administrator on asset and distribution levels; the Registrar and Broker on shareholdings and third-party tax advisors to monitor REIT compliance requirements.	Probability: Low Impact: High Trend: No change
14. Political / Economic Risk		
Political and macroeconomic events present risks to the real estate and financial markets that affect the Group and the business of our tenants. For example: (i) economic disruption arising from the COVID-19 pandemic or future developments; (ii) any arrangements made (or lack thereof) between the UK and the EU that could impact the ability of the Group to raise capital and/or increases the regulatory compliance burden on the Group; and (iii) any potential impact or inflationary pressures arising from the war in Ukraine and any future developments.	As the Group is wholly UK based, the Group remains relatively insulated from the impact of Brexit. As we move out of the pandemic, the risk of future economic disruption has reduced. As the Group has no direct exposure outside of the UK, the potential impact of the war in Ukraine may be limited to factors such as higher energy costs or other inflationary pressures. There is regular re-evaluation by the AIFM and Asset Manager as the conflict evolves and all material decisions are made with the approval of the Board.	Probability: Moderate to high. Impact: Moderate to high Trend: No change
15. Health and Safety Risk		
Tenants or other users of the asset may experience health and safety incidents that could lead to an adverse effect on the Group's reputation, profitability, the NAV and the Company's share price. Furthermore, there is a reliance on third party property and facility managers to ensure property defects are identified and rectified.	The Group has a robust Health & Safety Management system in place that is externally assessed and audited on an annual basis. The third-party property & facilities management providers who work onsite are continuously trained in health & safety protocols to ensure health & safety risks are always minimized, and any possible incident is escalated, logged and reported immediately.	Probability: Low to Moderate Impact: Low to Moderate Trend: New risk (due to listing)
16. Disclosure Risk		

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
Failure to properly disclose information to investors or regulators in accordance with various disclosure rules and regulations. Examples include AIFMD investor disclosures, annual reporting requirements, marketing/promotion disclaimers, data protection regulations etc. Examples that are not currently required but may become so include PRIIPS regulations and TCFD disclosures.	Service providers including AIFM, Asset Manager, Company Secretary and Legal Advisers monitor disclosure obligations and liaise with the Board to ensure requirements are met.	Probability: Low to Moderate Impact: Moderate Trend: New risk (due to listing)

Going Concern

The Directors have projected the Group's cash flows for the period up to 31 March 2023 and beyond, challenging and sensitising inputs and assumptions, giving due consideration to the Groups cash resources, loan facility, rental income, property & other operating costs, capital expenditure and dividend distributions. This is to ensure that the cash forecast reflects a realistic outcome given the uncertainties associated with the current economic environment.

Under the terms of the bank covenants, the Group is required to ensure that:

- the debt yield, the being passing rental as a percentage of the outstanding loan, on each interest payment date is at least 6.75%; and
- the LTV, being the outstanding loan balance as a percentage of the property value, at any time does not exceed:
  - prior to the listing of the group, 74.9%; and
  - following the listing of the group, 60%

The Group has reported full compliance with its loan covenants since admission.

The Directors note that the Group's financing of £108.5 million does not mature until 2023. There are two options to extend the loan by one year incurring an extension fee of 0.5% for the first option and 0.75% for the second option.

As part of the sensitivity analysis performed, the cash flow was sensitised to see how much a reduction in the net rental income and property value would need to fall by to be breach the relevant covenants.

The cash flow shows that, at the lowest point, net income would have to fall by 16% for there to be a breach of the debt yield covenant.

With regards to the LTV calculation, the current LTV based on the bank valuation of £185 million is 58.6%. Taking the expected property valuation per the projected balance sheet, the valuation would have to fall by 4% at its lowest level and 6% at its highest level to be in breach.

The directors therefore expect to continue to remain compliant with the covenants for the projected period.

Collections

Rental income collections have remained robust as we move out of the pandemic, with 97% of rent invoiced collected for 2021.

IWG Management agreement

The conversion of the Level 1 retail offering into approximately 50,000 sq ft of office space, which involves capital expenditure that was funded from IPO proceeds.

The cost of the level 1 conversion is £9.3 million of which £2.4 million was spent at the reporting date, leaving £6.9 million to be funded ahead of opening of the space in Q2 2022 has been factored into the forecast.

Conclusion

Having assessed the risks as well as mitigating factors and management strategies available to reduce such risks, the Directors have determined that the Group has adequate resources to continue in operational existence for twelve months from the date of signing of this report. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Viability Statement

Pursuant to Provision 36 of the AIC Code, the FRC 2018 Guidance on Board Effectiveness and the FRC Guidance on Risk Management and Internal Control and Related Financial and Business Reporting , the Board has considered the nature of the Group's assets and liabilities and associated cash flows and has determined that 3 years, up to 31 December 2024, is a realistic timescale over which the performance of the Group can be forecast with a degree of accuracy and so is an appropriate period over which to consider the Group's viability.

Considerations in support of the Company's viability over this three-year period include:

1. The current unexpired term under the Group's debt facilities stands at over 1 year being 20 January 2023 with two options to extend by one year. The extensions will take the term of the debt facility up to 20 January 2025 which is short of the viability statement period. Ahead of the expiry of the current facility, the Group would seek to extend the loan with the current lender or refinance with another lender on similar or better terms the impact of asset management initiatives such as the level 1 conversion to office space and that LTV is expected to remain below 60% throughout the projected period.

2. The Group's property had a WAULT to break of 13 years, 11 months and a WAULT to expiry of 13 years, 5 months as at 31 December 2021, representing a secure income stream for the period under consideration.

The three-year review considers the Company's cash flows, dividend cover, REIT compliance over the period. In assessing the Company's viability, the Board has carried out a thorough review of the Company's business model, including future performance, liquidity and banking covenant tests for a three-year period. In particular relating to the impact of the current political and economic uncertainties, the Directors have assessed the extent of any operational disruption; potential curtailment of rental receipts; potential liquidity and working capital shortfalls; and diminished demand for Company's asset going forwards, in adopting a going concern preparation basis and in assessing the Company's longer-term viability.

These assessments are subject to sensitivity analysis, which involves flexing a number of key assumptions and judgements included in the financial projections:

- Tenant default;
- Dividend payments; and
- Property valuation movements.

As part of the sensitivity analysis performed, the cash flow was sensitised to see how much a reduction in the net rental income (including tenant defaults) and property value would need to fall by to be breach the relevant covenants. Forecast dividend payments were reduced where required to leave a sufficient buffer to cover any shortfalls.

Based on the prudent assumptions within the Company's forecasts regarding tenant default, void rates and property valuation movements, the Directors expect that over the three year period of their assessment:

- LTV covenants will not be breached - as at 31 December 2021, the asset valuations and net rental income would need to fall by 2.4% and 17% respectively before breaching the Loan to Value loan covenant;
- REIT tests are complied with; and
- That the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the three - year period of their assessment.

Furthermore, the Board, in conjunction with the Audit Committee, carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance and solvency over the three-year period. The risk review process provided the Board with assurance that the mitigation and management systems are operating as intended. The Board believes the Group is well positioned to manage its principal risks and uncertainties successfully, notwithstanding the current political and economic risks and uncertainties. These risks, and other potential risks which may arise, continue to be closely monitored by the Board.

Confirmation of Viability

The Board confirms that it has reasonable expectation that the Group will be able to continue its operation and meet its liabilities as they fall due over the next three years, considering the Groups current position and the principal risks and uncertainties.

Section 172 Statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under Section 172 and forms the directors' statement required under section 414CZA of the Companies Act 2006 (the "Act").

This section describes how the Board engages with its key stakeholders, what interests are of importance to them, and how it has considered their interests when making its decisions. Further, it demonstrates how the Board takes into consideration the long-term impact of its decisions, and its desire to maintain a reputation for high standards of business conduct.

STAKEHOLDER	ISSUES OF IMPORTANCE	ENGAGEMENT	EFFECT OF ENGAGEMENT ON KEY DECISIONS
Shareholders			
The Group's investment objective is to deliver an attractive total return to shareholders. Shareholders are directly impacted by the performance of the Company both through equity growth and dividends.	Strong total shareholder return, operational and financial performance. Dividend cover and target. Robust corporate governance structure and well-performing service providers. Strategic direction of the Company. ESG strategy and performance.	Shareholder engagement is set out in the Strategic report. ESG engagement matters are disclosed in the Strategic report. Periodic updates are provided to the market with trading updates	Clear and effective communication leading to the Company meeting its objectives to deliver an attractive return to shareholders and boost the reputation of the Company.
Service Providers			

STAKEHOLDER	ISSUES OF IMPORTANCE	ENGAGEMENT	EFFECT OF ENGAGEMENT ON KEY DECISIONS
The Board has appointed a number of key service providers. The Board is confident that the appointments will strengthen its corporate governance processes and drive strategic progress.	Reputation of the Company, including its impact on the community, environment, and maintaining high standards of business conduct. Fair and transparent service agreements. Effective relationship between the Board and other key service providers.	KPIs were discussed and agreed which can be reviewed periodically by management. Effective and consistent engagement both through formal Board meetings and regularly outside the meetings with the Board.	The Service Providers selected were based on price competitiveness and demonstrated history of performance and high standards.
Tenants			
Tenants with strong business fundamentals and profitable operations enhanced by the location, facilities, safety and security of the well-maintained Property.	Working closely with tenants during the COVID-19 pandemic and offering assistance where required Fair lease terms. Long-term strategy and alignment with the tenant's business operations. Health and safety and property maintenance.	Regular dialogue with the Asset Manager and other key service providers as appropriate. The service providers have developed an effective working relationship with the Company's tenants aligning long-term strategy with the tenant's business operations to ensure a consistent income stream and ability to pay dividends to the Company's shareholders. Asset Manager regularly following up on the work carried out by the property Manager. The Board receives regular updates from Asset Management team.	During the COVID-19 pandemic, the Board recognised the challenges faced by tenants and have granted concessions for a limited period for some tenants. The objective being to provide proportional assistance to those tenants whose operations were materially impacted. This will help secure the long-term income for the Mailbox as we move out of the pandemic Well-maintained property offering the desired features tenants look for in a property.
Finance Provider	The impact on rent collections (retail, leisure and food & beverage) as a consequence of the COVID-19 pandemic and the lockdown restrictions imposed and the effect this has had on the lender covenants. Good working relationship	Engagement with the lender with detailed reporting and modelling. Regular discussions and updates through the year, including monthly capex reporting to the lender	Demonstrative support from the lender. For example, allowing us to utilise capex funds towards the Castle Fine Art fit out works at level 2 in an amount of £0.4 million; allowing amendments to the facility agreement to permit us to incorporate net income from the IWG Spaces management contract into the definition of Net Rental Income and extending the agreed Practical Completion Date for the L1 works. In addition, they have granted consent on all new lease consent requests that have been made.
Community / Birmingham Council	Considering impact on local community and ensuring good relations with surrounding occupiers and the wider city. ▪ Noise and traffic ▪ Health and Safety ▪ Environmental performance ▪ Employment opportunities	Regular engagement with the City Council, community business groups and charities.	Early insight into city plans and local business improvement & information schemes. Decision making takes into account social and community considerations. Examples of how we engage and support our local community can be found in the Strategic report.

The Strategic Report has been approved on 30 March 2022 and signed on behalf of the Board by:

Stephen Barter
Chairman
30 March 2022

Board Composition

Board composition was unchanged during the year and comprises of non-executive members.

STEPHEN BARTER Chairman and Non-Executive Director

Date of Appointment: 06 July 2020

Skills and Experience:

- 40 years' experience in real estate.
- Until March 2018, he was Chairman of Real Estate Advisory at KPMG.
- Previously, he was UK Chief Executive Officer of Qatari Diar, the property arm of the Qatar Investment Authority, Group Projects Director at Grosvenor, the Duke of Westminster's private international property company (and a member of its Executive Committee), Head of European Real Estate at Babcock & Brown and an equity partner at Richard Ellis (now CBRE).
- Other current appointments: Stephen is a director of Gabrieli, a non-profitable organisation, H3 Tradeco Limited and Chairman of his own firm, Wilton Capital Advisers.

MICKOLA WILSON Non-Executive Director

Date of Appointment: 06 July 2020

Skills and Experience:

- A highly accomplished senior executive with over 20 years' experience operating at board level in both executive and non-executive positions.
- Prior to joining Seven Dials she was CEO of Teesland Plc, a listed property fund and asset management company with a capital value of £200m, with over £5bn of funds under management across UK and Europe.
- Other appointments: Mickola is co-owner and Director of Seven Dials Fund Management Limited and its group companies, and a Senior Independent Director of Palace Capital Plc.

IAN WOMACK Non-Executive Director

Date of Appointment: 06 July 2020

Skills and Experience:

- Over 40 years' experience in the real estate sector and retired as Chief Executive of Real Estate at Aviva Investors in June 2015
- Spent majority of his career at Aviva Investors in various roles within the Real Estate division before being appointed to lead the business in 1998
- He is an active and engaged participant in the broader Real Estate community and was Chairman of the highly respected Investment Property Forum from 2006 to 2007
- Other appointments: Ian is a director for Bennbridge group, Grosvenor Liverpool Limited, Methak Investments Holdings, the UK branch of International Property Funds Management Pty Ltd and for his own consulting company Womack Partners Limited. He is also trustee of the charity The Story of Christmas. Ian is also an independent adviser of M7 Box+ II LP, a company managed by the Asset Manager.
- Ian Womack was an independent non-executive director on his appointment. He was appointed to the board of M7 Regional E-Warehouse REIT plc on 11 October 2021 which was a subsidiary of the Asset Manager on incorporation and has been managed by the Asset Manager since its admission on the International Property Securities Exchange on 21 December 2021. Therefore, Ian Womack was regarded a non-independent Non-Executive Director from 11 October 2021.

Asset Manager

The Board has appointed M7 Real Estate Limited (the "Asset Manager") to provide day-to-day asset management and advisory services to the Group. More information about the Asset Manager and its strategy can be read at the Group's website (https://www.themailboxreit.com).

AIFM

The Board has appointed M7 Real Estate Financial Services Ltd (the "AIFM") to provide day-to-day discretionary portfolio and risk management of the Company's investments subject to the AIFM Agreement, the Company's Articles of Association, and the prospectus, and also subject to the overall supervision of the Directors.

The AIFM and the Asset Manager provide relevant support to the Board pursuant to the AIFM Agreement and the AMA. In particular, but without limitation, the AIFM provides to the Board the property business plan and any variation thereto.

The AIFM acts in accordance with the Company's code of ethics and with its own policies and procedures, that cover areas required under AIFMD such as risk management and valuation of the Company's assets. Conflicts management is handled under the AIFM's conflicts policy and recorded on the AIFM's conflicts register. Regulated complaints are dealt with under the AIFM's complaints management policy. These policies are overseen by the members of the AIFM relevant committees and reported annually to the Board. Further oversight is provided by the Depositary, Alter Domus, appointed under the rules of AIFMD.

The AIFM and the Asset Manager are entitled to receive an aggregate quarterly management fee of 0.5 per cent calculated quarterly in arrears as a percentage of the NAV on the relevant quarter day. There is no performance fee.

Corporate Governance Statement

The Board recognises the importance of sound corporate governance and is committed to maintaining high standards of corporate governance. The Board has considered that reporting against the principles and recommendations of the 2019 AIC Code of Corporate Governance (the "AIC Code") provides better information to shareholders.

The Board undertakes an annual review of its compliance with the principles and recommendations of the AIC Code of Corporate Governance. The AIC Code is available on the AIC website (www.theaic.co.uk). The Financial Reporting Council has confirmed that member companies who report against the AIC Code will be meeting their obligations in relation to the 2018 UK Corporate Governance Code (the "UK Code"). This endorsement means that AIC member companies may make a statement that, by reporting against the AIC Code they are meeting their obligations under the UK Code and as such do not need to report further on issues contained in the UK Code which are irrelevant to them.

Statement of Compliance

During the year ended 31 December 2021, the Company has complied with the AIC Code, except where the Board has concluded that adherence or compliance with any principle or provision would not have been appropriate to the Company's circumstances, in which case the reasons are fully explained in this statement.

The Board of Directors

The Board of Directors, led by the Chairman, is collectively responsible for the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. It establishes the purpose, values and strategic objectives of the Company and satisfies itself that these and the Company's culture are aligned. The Board ensures that the necessary resources are in place for the Company to meet its objectives and measure performance against them, fulfilling its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls.

Structure of the board

The Board consists entirely of Non-Executive Directors, with no individual having unrestricted powers of decision. The Directors have a wide range of relevant business and financial expertise and brief biographies, including details of their significant commitments, can be found on page 32. The Directors consider that they commit sufficient time to the Company's affairs. Each Director was appointed for an initial three-year term, subject to re-election annually at each AGM. The Board has not stipulated a maximum term of any directorship, except that, subject to ensuring business continuity, the Chairman will remain on the Board for a maximum period of nine years.

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. The Chair promotes a culture of openness and constructive debate to ensure the effective contribution of all Directors, and facilitates a supportive, co-operative and open environment between the AIFM, Asset Manager and the Directors. The Chairman has no significant commitments other than those disclosed in his biography on page 32.

Given the size of the Board and the Group, the Company has deemed that it was not necessary to appoint a Senior Independent Director departing from provision 14 of the AIC Code. This provision is not deemed relevant to the Company as it is externally managed real estate investment company, with an entirely non-executive board of directors. The other non-executive directors will as necessary serve as intermediary between shareholders and other Directors.

Election/Re-election of Directors

Under the Company's Articles of Association, each Director shall retire from office at the third Annual General Meeting ("AGM") after the AGM or General Meeting (as the case may be) at which he/she was previously appointed or re-elected.

Beyond these requirements, and in line with corporate governance best practice and provision 23 of the AIC Code, the Board has determined that all Directors will seek annual re-election at the Company's AGMs. All Directors will therefore stand for re-election at the forthcoming AGM. The Board considers that, during the year ended 31 December 2021, each Director has performed effectively and demonstrated commitment to the role. It therefore believes that it is in the best interests of shareholders that each Director is re-elected at the AGM.

Independence of Directors

During the period under review, the Board consisted of three Non-Executive Directors. All directors were independent on appointment and one of the directors was regarded non-independent Non-Executive Director from 11 October 2021 In line with provision 10 of the AIC Code at least half of the Board, excluding the chair, are non-executive directors whom the Board considers to be independent. Majority of the Board members are considered by the Board to be independent of the Asset Manager and the AIFM. The Chair was independent on appointment and his independence continues to be reviewed annually in compliance with Provisions 11 and 12 of the AIC code.

Board Diversity

There have been no appointments to the Board during the year being this the first year of the Board's mandate, therefore Provisions 24 and 25 of the AIC Code were not applicable to the Company. However, before any appointment is made, the Board would evaluate the current and recommended future balance of skills, knowledge, experience, independence, diversity and cognitive and personal strengths on the Board. The appointment of any new Director would be made on the candidate's merits, measuring his or her skills and experience against the criteria identified by the Board as being desirable to complement the Board's composition and qualifications.

The Board maintains a training log and skills matrix which maps the key skills required of the Directors and is used to inform the necessary skills of future Director appointments as well as allowing the identification of any gaps in the Board's skills.

Board Evaluation

The Board shall undertake a formal and rigorous annual evaluation of its own performance and of its committees and individual Directors in line with provision 26 of the AIC Code. Although the current members of the Board were appointed in July 2020, the Company was not listed until 14 May 2021, when proper business activities commenced. Therefore, the Board did not find appropriate to carry out its first review in 2021 and this shall be done in the first semester of 2022, once the first year of fully operational activities has been completed. The Board will also meet without the Chair present at least annually to appraise the Chair's performance. At the time of the first board evaluation, the Board and the Chair will also follow provisions 24 and 27 of the AIC Code.

Board Responsibilities

The Board is responsible for the overall leadership of the Company, setting its values and standards, including approving the Group's strategic aims and objectives as well as oversight of the operations, including the control and supervision of the AIFM and Asset Manager. A copy of the schedule of matters reserved for the Board's decision is available on the Company's website at https://themailboxreit.com.

The Board conducts an annual review of effectiveness of the Company's system of internal control managed by the Asset Manager. The review covers all controls, including financial, operating and compliance controls, risk management and review of outsourced service providers by way of monitoring performance and remuneration. The outcome of the review is documented in the Audit Committee report on pages 39 to 41.

Directors are regularly provided with any relevant information from the Asset Manager and have access to the Company Secretary and independent advisors, as required.

Key Board activities during the year

The Board regularly reviews the required time commitment to fulfil their duties. The Directors continued to devote sufficient time to the Company's business through participation in both formal Board meetings and informal operational meetings.

At each Board meeting, the Directors follow a formal agenda, which is circulated in advance by the Company Secretary. The Company Secretary and the Asset Manager regularly provide financial information, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice. Representatives from the AIFM and the Asset Manager attend each Board meeting and continuously communicate with the Board between formal meetings.

A report from the Asset Manager is reviewed at each meeting, which includes relevant matters to highlight since the previous meeting and details of business activity, the pipeline and health and safety matters. The Board also receives and reviews a report from the Company Secretary including regulatory and governance updates.

The Board holds formal meetings every quarter, with additional approvals of NAVs and dividends sought via Directors' written resolutions followed by a quarterly operational meeting for review of NAV and Asset Manager's financial updates. The Board also holds periodic meetings with the AIFM and the Asset Manager for general updates on the day- to- day operations and business updates. During the year ended 31 December 2021, the number of Board meetings attended by each Director were as follows:

Director	Attendance[7]
Stephen Barter	6/6
Mickola Wilson	6/6
Ian Womack	6/6

Conflicts of Interest

The Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the Group's interests. The Company Secretary keeps a register of disclosure of interests which is regularly updated and reviewed by the Board at every Board meeting.

Board Committees

Audit Committee

The Company's Audit Committee ("the Committee") is chaired by Mickola Wilson and, due to the size and independent nature of the Board, it consisted of all the Directors during the financial year ending 31 December 2021. The Audit Committee report can be found on pages 39 to 41. The Board considers that the members of the Committee have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Chair, who was independent on appointment, is also a member of the Audit Committee. The Board considers this to be appropriate as the Chair, who has over 40 years' experience in the real estate industry, contributes significantly with the Audit Committee in the discharge of their duties.

Ian Womack was regarded non-independent non-executive director from 11 October 2021. The Board considers to be appropriate for Ian Womack to remain a member of the audit committee until the final review and recommendation of this Annual Report due to his several years of experience in the real estate industry, contributing significantly with the Audit Committee in the discharge of their duties in the first financial year of the Group after listing.

The Committee supports the Board in fulfilling its oversight responsibilities of the effectiveness of the Company's risk management and internal control systems led by the Asset Manager and the AIFM. The Committee also reviews the half-yearly and annual reports and receive information from the AIFM and the Asset Manager providing final recommendation for approval to the Board. It is also the responsibility of the Audit Committee to review the scope, results, cost effectiveness, independence and objectivity of the external auditor.

Other Board committees

Given the size of the Board, which comprised of two independent Non-Executive Directors and one non-independent Non-Executive Director, it was not deemed necessary to convene separate nomination or remuneration committees. Therefore, the Company has departed from provisions 22, 28, 37, 38, 39, 40, 41 and 42 of the AIC Code. Nomination and remuneration matters are dealt with by the Board of Directors as a whole. This is consistent with the market practice and in accordance with the AIC Code, which states that such committees are not required if, in view of the size and make-up of the Board, it is unnecessarily burdensome to establish separate committees.

As the Board is comprised only of Non-Executive Directors, there are no performance-related elements of the remuneration. The remuneration of Non-Executive Directors is determined in accordance with the Articles of Association and therefore there is limited scope for the exercise of discretion or judgement.

The Board will continue to monitor its requirements and if necessary, constitute separate committees to complete these functions.

Company Secretary

Alter Domus (UK) Limited was appointed on 26 August 2020 as the Company's Secretary. The Board has direct access to the advice and services of the Company Secretary, which is responsible for ensuring that the Board and committee procedures are followed and that applicable regulations are complied with. The Company Secretary is also responsible for ensuring timely delivery of information and reports to the Board and that the Company meets its statutory obligations.

Internal control review

The Board is ultimately responsible for the Company's system of internal control and for reviewing the effectiveness of the Company's system of internal control in light of the risks identified.

In agreement with good corporate governance practice mentioned in the AIC Code and in the Financial Reporting Council publication, "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting", the Board has undertaken an assessment of the effectiveness of its risk assessment and internal control processes.

In order to capture new and emerging risks and implications, the AIFM is responsible for the risk management function. Any such risks are reported to the Board. An initial analysis of key risks has been prepared by the AIFM and reviewed by the Board before listing and continue to be monitored regularly by the AIFM and on an annual basis by the Board. The Board also carry out an annual review of the company risk management and internal control systems' effectiveness and report that review in the annual report in line with Provision 34 of the AIC code aiming to minimise the chance of a material adverse outcome arising from causes which could reasonably have been foreseen.

No internal audit function currently exists within the Company, AIFM or the Asset Manager. Existing governance, risk management and internal controls are considered adequate for the size and complexity of the business and the Board will continue to monitor and consider whether circumstances have changed such that it considers that the introduction of an internal audit function would be appropriate.

The Board has carried out a review of the effectiveness of the systems of internal control as they have operated over the period and up to the date of approval of the Annual Financial Report.

Shareholder Engagement

The Mailbox Board has actively engaged with key stakeholders, including current and prospective shareholders, throughout the past year by way of direct communication, an organised visit to the Mailbox (7 October 2021), and hosting an Investor Day (4 November 2021).

As part of its investor engagement strategy over the coming calendar year, the Board will continue to actively engage shareholders by offering a virtual platform to meet and communicate all material news flow including financial results, dividend announcements, ESG, and other key initiatives that will drive long-term value to Mailbox shareholders. This includes organising direct meetings with investors of significant ownership and hosting an Investor Day, with associated dates to be announced in Q2 2022.

The Company's Annual and Half-yearly Reports present a fair, balanced and understandable review of the Company's performance. Copies are released through the Regulatory News Service and made available from the Company Secretary or by downloading from the Company's website.

Arrangements for the 2022 AGM will be released in early April and will give shareholders the opportunity to join physically as permitted by the Company's Articles or to vote by proxy. The results of the AGM will be published on the Company's website.

Directors' Remuneration Report

The Board has prepared this report as per the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Board is responsible for determining the remuneration of each Director and each Director abstains from voting on their own individual remuneration. In accordance with Letters of Appointment approved prior to listing, Directors' fees from 1 January 2021 to 31 December 2021 were at a level of £35,000 per annum for the Chairman, £25,000 per annum for the chair of the Audit Committee and £25,000 per annum for the third Director.

The remuneration of Non-Executive Directors is determined in accordance with the Articles of Association. Since the Company is not listed on the main market and there is limited scope for the exercise of discretion or judgement, the Company is not required to implement a Remuneration Policy.

Following the recommendation of the AIC Code, the Non-Executive Directors' remuneration reflects the time commitment and responsibilities of the role. The Non-Executive Directors of the Company are entitled to such rates of annual fees as the Board at its discretion shall from time to time determine, subject to the aggregate annual fees not exceeding £500,000. No component of any Director's remuneration is subject to performance factors and reimbursement of reasonable expenses and fees are provided in accordance with Letters of Appointment.

No pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits, although the Company's Articles of Association permit the Company to provide such pensions or similar benefits for Directors or employees of the Company.

No changes to the Directors' fees are proposed for the year ending 31 December 2022.

The Board will consider any views expressed by shareholders on the fees being paid to Directors.

The Directors' remuneration report was approved by the Board on 30 March 2022.

On behalf of the Board,

Stephen Barter
Chairman
30 March 2022

Report of the Audit Committee

I am pleased to present the Audit Committee Report for the year ended 31 December 2021.

Committee Membership

The Audit Committee comprises Mickola Wilson (Chair), Ian Womack and Stephen Barter, all of whom are Non-Executive Directors.

Meetings

The Committee met three times during the year under review, and the meetings were attended by each member as follows:

Director	Attendance[8]
Mickola Wilson	3/3
Ian Womack	3/3
Stephen Barter	3/3

Role of the Committee

The Committee assists the Board in discharging its responsibilities with regard to financial reporting, external audit, risk management and internal controls, including:

1. monitoring the integrity of the financial statements of the Group, including its annual and half-yearly reports and reviewing significant financial reporting issues and the judgements which they contain;

2. reviewing the adequacy and effectiveness of the Group's risk management systems and reviewing and approving the statements to be included in the annual financial report concerning internal controls and risk management;

3. making recommendations to the Board in relation to the appointment/re-appointment or removal of the Auditor and approving its remuneration and terms of engagement;

4. reviewing and monitoring the Auditor's independence, objectivity and effectiveness; and

5. approving any non-audit services to be provided by the Auditor and monitoring the level of fees payable in this respect.

Performance Evaluation

This has been reported in the Corporate Governance Statement.

Activities

The Committee meets at least twice a year to consider the annual financial report and half-year report and to review and monitor the effectiveness of the Company's risk management and internal control systems as well as any other matters as specified under its terms of reference. During the year and up to the date of this report, the Audit Committee reviewed: the financial results for publication; the performance and effectiveness of the Auditor and considered its re-appointment, objectivity, independence and remuneration; the non-audit services provided by the Auditor and the associated fees incurred; the internal controls and risk management systems of the Group and its third-party service providers; and the Committee's terms of reference (which is available at the Company's website).

Significant issues considered by the Committee

Valuation

The Committee determined that a key area of consideration in relation to the Consolidated Financial Statements of the Group was the valuation of the investment property, as it is fundamental to the Group's Consolidated statement of financial position and audited results. The investment property as at 31 December 2021 was externally valued by qualified independent valuers (using the internationally accepted Royal Institution of Chartered Surveyors ('RICS') Valuation - Professional Standards) and whilst comparable market transactions provide valuation evidence, there are assumptions which involve significant levels of judgement. The Committee considered the valuations of the Group's investment property at 31 December 2021 and these were discussed with the AIFM, Asset Manager and Auditor during the audit of the financial statements. Details of the valuation methodology are contained in Note X to the Consolidated Financial Statements.

Risk management Internal controls

The Committee carefully considers the internal control systems by monitoring the services and controls of its third-party service providers.

The Committee reviewed and updated the risk register. It received reports on risk management, internal controls and compliance from the AIFM and the Asset Manager and no significant matters of concern were identified. The Principal Risks section can be found on pages 24 to 27.

Going concern and long-term viability of the Group

The Committee considered the Group's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the Consolidated Financial Statements have been prepared on a going concern basis.

The Committee also considered the longer-term viability statement within the Annual Financial Report for the year ended 31 December 2021, covering a three year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Group's long-term viability. The Group's viability statement can be found on page 29.

Independence and objectivity of the Auditor

It is the Committee's responsibility to monitor the performance, objectivity and independence of the Auditor and this is evaluated by the Committee each year. In evaluating BDO's performance, the Committee examines five main criteria - robustness of the audit process, independence and objectivity, quality of delivery, quality of people and service, and value-added advice. Having carried out a review the Committee is satisfied with the Auditor's performance.

External Audit Process

The Committee meets at least twice a year with the Auditor, once at the planning stage before the audit and again after the audit at the reporting stage. The Auditor provides a planning report in advance of the annual audit, and a report on the annual audit. The Committee has an opportunity to question and challenge the Auditor in respect of both of these reports.

In addition, at least once a year, the Committee has an opportunity to discuss any aspect of the Auditor's work with the Auditor in the absence of the AIFM and Asset Manager and other service providers by means of a closed session. Following the conclusion of the annual audit, the Committee will review the audit process and consider its effectiveness.

Re-appointment of the Auditor

Following a review of its independence and objectivity, the Committee has agreed to recommend the re-appointment of BDO LLP as the Company's Auditor to the Board for proposal to shareholders at the forthcoming AGM. BDO LLP has expressed its willingness to continue as the Company's Auditor

Audit Fees and Non-Audit Services

The Committee has sole responsibility for agreeing the audit fee in consultation with the Asset Manager and taking into account the scope of the audit. The Committee has a policy on the engagement of the Auditor to provide non-audit services. All non-audit services are reviewed by the Committee which makes recommendations for the provision of each non-audit service and ensures that the statutory auditor is not engaged to perform work that is prohibited under EU law as adopted by the UK. The Auditor is permitted to provide non audit-related services where the work involved is closely related to the work performed in the audit. These include:

1. reviews of interim financial information;
2. reporting on internal financial controls when required by law or regulation;
3. reporting required by law or regulation to be provided by the Auditor; and
4. prospectus/capital markets reporting.

The policy was reviewed, and its application monitored by the Committee during the year. The Committee agreed that the policy remained appropriate for the Company.

An analysis of audit fees is set out below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Audit		
Statutory audit of Annual Financial Report	68	66
Non-Audit services	56	-

Non-audit services relate to agreed upon procedures on the IPSX listing of £47,500 and the 2021 half year report of £7,500.

Mickola Wilson
Audit Committee Chairperson

Directors' Report

The Directors present their annual financial report and the consolidated financial statements of Mailbox REIT Plc for the year ended 31 December 2021.

Principal activity

The principal activity of the Group is the ownership of the freehold of the property known as The Mailbox, Birmingham.

Corporate Governance

The Corporate Governance Statement on pages 33 to 37 forms part of the Directors' Report.

Directors

The Directors in office during the year and at the date of this report, terms of appointment and their biographical details in the Corporate Governance Statement which forms part of the Directors' Report.

Results and dividends

The results for the year ended 31 December 2021 are shown in the Consolidated Statement of Comprehensive Income on page 55. The details on Dividends paid in respect to the year in review can be found in note 18 of the Consolidated Financial Statements.

Qualifying indemnity insurance

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association ("Articles"), and as the Company is a wholly owned subsidiary, Directors' and officers' liability insurance is granted and maintained for the benefit of the Company, the Directors and its officers under the Company's ultimate parent company's group policy. The ultimate parent company entered into qualifying third-party indemnity arrangements for the benefit of all its Directors in the group in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Management Arrangements

The Management Arrangements detailed on page 33 forms part of the Directors' Report.

Continuing Appointment of the AIFM and the Asset Manager

The Board has reviewed the appropriateness of the continuing appointment of the AIFM and the Asset Manager, ensuring the terms and conditions of the relevant agreements align with the objective of the Company. It is satisfied that the terms of the AIFM and the Asset Manager remain fair and competitive, and in the best interests of shareholders. In the opinion of the Directors, the continuing appointment of the AIFM and the Asset Manager is in the interests of shareholders as a whole as the AIFM and the Asset Manager have been successfully managing the Company's asset, thereby allowing the Company to continue paying dividends in accordance with the targeted investment objective.

Administrators

Alter Domus Fund Services (UK) Limited is the administrator and Alter Domus Depositary Services (UK) Limited is the depositary of the Company who were appointed on 26 August 2020.

Review of Service Providers

The Board reviews the ongoing performance and the continuing appointment of all service providers of the Company on an annual basis. The Board also considers any variation required to the terms of all service providers' agreements. A review of all service providers was undertaken during the year which concluded that the services provided to the Company were satisfactory and that their continued appointments were in the best interests of the shareholders.

Social, Community and Employee Responsibility

The Company is an externally managed real estate investment trust and has no direct employees. The management of the single asset has been delegated to the Asset Manager who provide the employees that support the Company. The Asset Manager is an equal opportunities employer who respects and seeks to empower each individual and the diverse cultures, perspective, skills and experiences within its workforce.

The Company is not required to produce a statement on slavery and human trafficking pursuant to the Modern Slavery Act 2015 as it does not satisfy all the relevant triggers under that Act that required such a statement. The Company does, however, closely monitor the policies of its suppliers to ensure that proper provision is in place.

The Asset Manager embraces its responsibility in respect of ethical, social and environmental matters. The Asset Manager has policies and practices including a code of ethics, and a commitment to best practice environmental and sustainability policies. In accordance with the Modern Slavery Act 2015, the Asset Manager has made a statement concerning modern slavery and human trafficking.

Further information can be found on the Asset Manager's website at www.m7re.eu/company/governance/corporate-social-responsibility/.

Packaged Retail and Insurance-based Investment Products ("PRIIPs")

As the Company is listed on IPSX Wholesale and is not available to retail investors, the PRIIPS regulation does not apply to the Company. The Company is therefore not required to publish a Key Information Document ('KID') on the Company's website.

Environmental, Social, and Governance Policy ("ESG")

The Asset Manager is committed to creating long-term value for investors and adheres to a policy of sustainable and responsible investment. The Asset Manager policy can be found within the Corporate Responsibility area on their website www.m7re.eu/company/governance. Please also refer to the 'Environmental, Social and Governance matters' section.

The Group's Corporate Responsibility Policy is available at https://themailboxreit.com.

Internal control review

A report on internal control review is provided on page 36 of the Corporate Governance Statement.

Internal control assessment process

Robust risk assessments and reviews of internal controls are undertaken regularly in the context of the Group's overall investment objective.

In arriving at its judgement of what risks the Group faces, the Board, through the Audit Committee, has considered the Group's operations in light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Group to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Group's ability to reduce the incidence and impact of risk on its performance;
- the cost to the Group and benefits related to the review of risk and associated controls of the Group; and
- the extent to which third parties operate the relevant controls.

A risk register has been produced against which the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of their occurrence, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate against them. This risk matrix is reviewed twice a year by the Audit Committee and reported to the Board.

The principal risks that have been identified by the Board are set out on pages 24 to 27.

The Board reviews financial information produced by the Asset Manager on a monthly basis.

Most functions of the day-to-day management of the Group are sub-contracted, and the Directors therefore obtain assurances and information from key third-party suppliers regarding the internal systems and controls operated in their respective organisations. In addition, the Asset Manager and the AIFM are requested to provide a copy of their report on internal controls each year, which are reviewed by the Audit Committee.

Financial Risk Management objective policies

The Group financial risk management objectives and policies are discussed in Note 19 of the Consolidated Financial Statements.

Share Capital

At 31 December 2021, and as at the date of this report, there are 84,850,001 Ordinary Shares in issue, none of which are held in treasury.

Business Relationships

The Group aims to foster close and collaborative relationships with both suppliers and customers. How we engage with the relevant stakeholders is covered in the Section 172 report on pages 30 to 31.

Post balance sheet events

Subsequent events are disclosed in note 22 of the Consolidated Financial Statements

Substantial shareholdings

Shareholder	Number of Shares	%
M7 Real Estate Investment Partners MB LP acting via its general partner M7 Real Estate Investment Partners MB General Partner Limited	58,616,155	69.1
Warrington Borough Council	10,000,000	11.78
M7 Aggregator Fund	4,000,000	4.71
MB HOLDING (MC) LIMITED	3,325,000	3.92

Disclosure of information to auditors

Each of the persons who are Directors at the time of approval of this Directors' Report has confirmed that:

- So far as that Director is aware, there is no relevant audit information that has not been brought to the attention of the audited Group
- All necessary steps have been taken as a Director in order to be aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

The auditors, BDO LLP, were appointed as auditor in the period and will be proposed for re-appointment in accordance in accordance with the Act.

This report was approved by the Board on 30 March 2022 and signed on its behalf by:

Stephen Barter
Chairman
30 March 2022

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual report and the Group and the Company financial statements for each financial year which give a true and fair view, in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, of the state of affairs of the Group and of the profit or loss for that period.

In preparing these consolidated and company financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Website publication

The directors are responsible for ensuring the Annual and the Group and the Company financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the Board,

Stephen Barter
Chairman

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Year ended 31 December 2021	Year ended 31 December 2020

	Notes	£'000	£'000
Income			
Rental and other income	3	14,004	15,166
Property operating expense	4	(6,022)	(5,842)
Reversal / (impairment) provision on tenant receivables		798	(692)
Net rental and other income		8,780	8,632
Other operating expenses	4	(1,004)	(2,028)
Operating profit before fair value changes		7,776	6,604
Change in fair value of investment properties	9	(35)	(22,463)
Operating profit / (loss)		7,741	(15,859)
Finance income	6	-	2
Finance expense	6	(5,913)	(6,582)
Profit / (loss) before tax		**1,828**	**(22,439)**
Taxation	7	-	-
Profit and total comprehensive income / (loss) for the year		**1,828**	**(22,439)**
Earnings / (loss) per share (pence per share) (basic and diluted)	8	**3.37**	**(6,081.19)**

The accompanying notes form an integral part of these Consolidated Financial Statements.

All profit and total comprehensive income / (loss) is attributable to the equity holders of the Company.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Assets			
Non-current Assets			
Investment property	9	185,825	181,100
		185,825	**181,100**
Current Assets			
Trade and other receivables	10	5,727	4,849
Cash and cash equivalents		10,046	1,745
		15,773	**6,594**
Total Assets		**201,598**	**187,694**
Non-current Liabilities			
Interest bearing loans and borrowings	12	107,514	98,999
Intercompany loans due to parent	13	-	4,000
		107,514	**102,999**
Current Liabilities			
Trade and other payables	11	8,134	7,230
Interest bearing loans and borrowings	12	-	20,663
Intercompany loans due to parent	13	-	64,947
		8,134	**92,840**
Total Liabilities		**115,648**	**195,839**
Net Assets / (Liabilities)		**85,950**	**(8,145)**
Issued share capital and reserves			
Share capital	16	8,386	100
Share premium	17	-	-

Retained earnings / (loss)		77,564	(8,245)
Total reserves attributable to equity holders of the Group		**85,950**	**(8,145)**
Net Asset Value per share (pence)	8	**101.30**	**(814.50)**

The accompanying notes form an integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements of Mailbox REIT plc were approved and authorised for issue by the Board of Directors on 30 March 2022 and signed on its behalf by:

Stephen Barter
Director
30 March 2022

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total reserves attributable to equity holders of the Group £'000
For the year ended 31 December 2021					
Balance as at 1 January 2021		100	-	(8,245)	(8,145)
Contributions by and distributions to owners					
Ordinary shares issued	16	8,385	75,465	-	83,850
Capital contribution - release from intercompany debt	13	-	-	10,781	10,781
Cancellation of share premium	17		(75,465)	75,465	-
Share issue costs	16	(99)	-	-	(99)
Dividends paid	18	-	-	(2,265)	(2,265)
Total contributions by and distributions to owners		8,286	-	83,981	92,267
Total comprehensive income		-	-	1,828	1,828
Balance as at 31 December 2021		**8,386**	**-**	**77,564**	**85,950**
For the year ended 31 December 2020					
Balance as at 1 January 2020		-	-	14,243	14,243
Contributions by and distributions to owners					
Shares issued		100	-	-	100
Merger reserve created on group reconstruction*		-	-	(49)	(49)
Total contributions by and distributions to owners		100	-	(49)	51
Total comprehensive loss		-	-	(22,439)	(22,439)
Balance as at 31 December 2020		**100**	**-**	**(8,245)**	**(8,145)**

The accompanying notes form an integral part of these Consolidated Financial Statements.

*Included in prior year retained earnings is an amount of £49,000 in respect of the merger reserve which is not distributable.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flows from operating activities			
Profit / (loss) after tax		1,828	(22,439)
Adjustments for non-operating items:			
Finance income	6	-	(2)
Finance expenses	6	5,913	6,582
Change in fair value of investment property	9	35	22,463
Amortisation of lease incentives	3	(1,293)	(2,093)
(Reversal) / impairment provision on tenant receivables		(798)	692
Increase in trade and other receivables		144	(870)
Decrease in trade and other payables		(115)	2,300
Net cash flow generated from operating activities		**5,714**	**6,633**
Cash flows from investing activities			
Purchase of net assets on acquisition of Mailbox		-	408
Capital expenditure on investment property	9	(2,441)	(685)
Lease incentives - capital contributions	9	(158)	(785)
Interest received		-	2
Net cash used in investing activities		**(2,599)**	**(1,060)**
Cash flows from financing activities			
Proceeds from issue of share capital	16	25,850	50
Share issue costs	16	(99)	-
Loans received from Parent undertakings	13	700	2,066
Loans repaid to Parent undertakings	13	(1,723)	(1,481)
Repayment of external borrowings	12	(11,500)	-
Loan arrangement fees*		(2,401)	(271)
Bank interest paid	12	(3,313)	(3,014)
Acquisition of interest rate cap		(63)	-
Shareholder interest paid		-	(1,443)
Dividends paid	18	(2,265)	-
Net cash generated from / (used in) financing activities		**5,186**	**(4,093)**
Net increase in cash and cash equivalents		8,301	1,480
Cash and cash equivalents at start of year		1,745	265
Cash and cash equivalents at end of year		**10,046**	**1,745**

The accompanying notes form an integral part of these Consolidated Financial Statements.

*Includes £2.1 million in relation to loan issue costs incurred in the year (Note 12) and £0.3 million incurred on the aborted Goldman Sachs prior to listing (Note 6)

Notes to the Consolidated Financial Statements

1. Corporate information

Mailbox REIT Plc is a public limited company which was incorporated on 18 March 2020 and is domiciled in the UK and registered in England and Wales. The registered office of the Company is 18 St Swithin's Lane, London, United Kingdom, EC4N 8AD. The principal activity of the Group is to provide its shareholders with an attractive level of income together with the potential for capital growth by investing in the Property.

On 14 May 2021, the Company was admitted to trading on the International Properties Securities Exchange (www.ipsx.com) on the Wholesale Market with 84.85 million shares in issue. The listing raised additional capital of £83.9 million (of which £25.9 million was raised in cash proceeds), including £75.5 million of share premium which were subsequently cancelled and taken to distributable reserves. The Annual Financial Report of the Group can be found at www.themailboxreit.com.

2. Significant accounting policies

2.1. Basis of preparation

On 31 December 2020, IFRS as adopted by the EU was brought into UK law and became UK-adopted International Accounting Standards, with future changes subject to endorsement by the UK Endorsement Board. Mailbox REIT Plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements of the Mailbox REIT Plc group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. Statutory accounts for the year ended 31 December 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor has reported on those accounts; their report was unqualified, did not draw to attention any matters by way of emphasis of matter without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006. The text of the Auditor's Report can be found in the full Annual Report.

The Consolidated Financial Statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair value, as appropriate.

Basis of consolidation

Control

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary entities are fully consolidated from the date on which control is transferred to the Group, being the date on which the Group gains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Group using consistent accounting policies. All intra group balances, transactions and unrealised gains and losses resulting from intra group transactions are eliminated in full.

Going concern

The Directors have projected the Group's cash flows for the period up to 31 March 2023 and beyond, challenging and sensitising inputs and assumptions, giving due consideration to the Groups cash resources, loan facility, rental income, property & other operating costs, capital expenditure and dividend distributions. This is to ensure that the cash forecast reflects a realistic outcome given the uncertainties associated with the current economic environment.

Under the terms of the bank covenants, the Group is required to ensure that:

- the debt yield, the being passing rental as a percentage of the outstanding loan, on each interest payment date is at least 6.75%; and
- the loan to value, being the outstanding loan balance as a percentage of the property value, at any time does not exceed:
  - prior to the listing of the group, 74.9%; and
  - following the listing of the group, 60%

The Group has reported full compliance with its loan covenants since admission.

The Directors note that the Group's financing of £108.5 million does not mature until 2023. There are two options to extend the loan by one year incurring an extension fee of 0.5% for the first option and 0.75% for the second option.

As part of the sensitivity analysis performed, the cash flow was sensitised to see how much a reduction in the net rental income and property value would need to fall by to be breach the relevant covenants.

The cash flow shows that, at the lowest point, net income would have to fall by 16% for there to be a breach of the debt yield covenant.

With regards to the LTV calculation, the current LTV based on the bank valuation of £185 million is 58.6%. Taking the expected property valuation per the projected balance sheet, the valuation would have to fall by 4% at its lowest level and 6% at its highest level to be in breach.

The directors therefore expect to continue to remain compliant with the covenants for the projected period.

Collections

Rental income collections have remained robust as we move out of the pandemic, with 97% of rent invoiced collected for 2021.

IWG Management agreement

The conversion of the Level 1 retail offering into approximately 50,000 sq ft of office space, which involves capital expenditure that was funded from IPO proceeds.

The cost of the level 1 conversion is £9.3 million of which £2.4 million was spent at the reporting date, leaving £6.9 million to be funded ahead of opening of the space in Q2 2022 has been factored into the forecast.

Conclusion

Having assessed the risks as well as mitigating factors and management strategies available to reduce such risks, the Directors have determined that the Group has adequate resources to continue in operational existence for twelve months from the date of signing of this report. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

New standards, amendments and interpretations

The following new accounting amendments have been applied in preparing these Consolidated Financial Statements:

- Interest Rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments provide relief to the Group in respect of certain loans whose contractual terms are affected by interest benchmark reform (effective from 1 January 2021). Applying the practical expedient introduced by the amendments, when the benchmarks are replaced the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the benchmark interest rate does not result in an immediate gain or loss recorded in profit or loss.

The following are new standards, interpretations and amendments, which are not yet effective, and have not been early adopted in this financial information, that will or may have an effect on the Group's future financial statements:

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group so have opted not to adopt early. These are comprised of:

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- IFRS 17 Insurance Contracts (effective 1 January 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

2.2. Critical accounting estimates and judgements

The preparation of financial statements requires the use of critical judgment, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and assumptions concerning the future, and the accounting results of those estimates will, by definition, rarely equal the related actual results.

i) Valuation of investment property

The Directors appointed Avison Young to perform the valuation of the investment property. The fair value of investment property is determined by external property valuation experts to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. The valuation experts use recognised valuation techniques, applying the principles of both IAS 40 and IFRS 13.

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Global Standards. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 9.

ii) Provision for expected credit losses ('ECL') of trade receivables

The Group uses a provision matrix to calculate ECL's for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In addition, where the Group has negotiated a concession (such as rent forgiveness) with a tenant, and terms of the concession are considered a lease modification under the scope of IFRS 16, the Group has accounted for these as a new lease from the effective date of the modification.

iii) Principal versus agent considerations - services to tenants

The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the

services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily

responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints, and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

iv) Share issue costs

The Directors have performed an assessment of the expenditure incurred as part of the listing of the Company to determine that which is directly attributable to the issue of new shares, and that which is related to the listing. In accordance with IAS 32, the Company has recognised those costs determined to be directly attributable to the issue of new shares as a deduction to equity. Listing costs have been expensed.

2.3. Segmental information

Information on the Mailbox held by the Group is reported to the chief operating decision maker individually. In the case of the Group, the chief operating decision maker is considered to be the Board of Directors. The internal financial reports received by the Directors do not differ from amounts reported in the financial statements. The Directors have treated the Mailbox as one reportable segment under the provisions of IFRS 8.

2.4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below.

a) Functional and presentational currency

The Consolidated Financial Statements are presented in Sterling, which is the functional and presentational currency of the Group. The functional currency of the Group and its subsidiaries is principally determined by the primary economic environment in which it operates. The Group did not enter into any transactions in foreign currencies during the period.

b) Revenue recognition

(i) Rental income

Revenue comprises rental income, net of Value Added Tax, and is recognised on a straight line basis over the term of the lease.

Rental income arising from operating leases on investment property is accounted for on a straight line basis over the lease term and is included in revenue in the Consolidated Statement of Comprehensive Income due to its operating nature, except for contingent rental income which is recognised when it arises.

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

Where there has been a change in the scope of a lease or the consideration for a lease that was not part of the original terms and conditions of the lease, this is accounted for as a lease modification. This treatment applies to cases where rent reductions have been agreed. Such modifications are accounted for as new leases from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease at the date of modification are treated as part of the lease payments for the new lease. Future anticipated rental

income is spread over the term of the lease on a straight line basis, giving rise to a rent spreading adjustment in the event that rent is reduced for a period.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the Consolidated Statement of Comprehensive Income when the right to receive them arises.

(ii) Service charges and direct recharges

Revenue from service charges and direct recharges is recognised in the Consolidated Statement of Comprehensive Income over time in the accounting period in which the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

The directors have reviewed the underlying agreements and determined that the Group is a principal under IFRS 15. As a result the relevant income and expenses generated / incurred relating to service charges and direct recharges have been recognised and presented as gross in the Consolidated Financial Statements. Please refer to note 4 for the relevant expense incurred during the year.

(iii) Deferred income

Income received in advance is recognised in the Consolidated Statement of Financial Position as a deferred income liability.

c) Financing income and expenses

Financing income comprises interest receivable on funds invested. Financing expenses comprise interest and other costs incurred in connection with the borrowing of funds. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

d) Investment property

Investment property comprises completed property and property under construction or redevelopment that is held to earn rental income or for capital appreciation or both. Property held under an operating lease is classified as investment property when it is held to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, investment property is stated at fair value.

Gains or losses arising from changes in the fair values are included in the Consolidated Statement of Comprehensive Income in the year in which they arise, including any corresponding tax effect. For the purposes of these Consolidated Financial Statements, in order to avoid double counting, the assessed carrying value is adjusted by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses on the retirement or disposal of investment property.

e) Financial assets and liabilities

e.i) Financial assets

The Group classifies its financial assets into one of the categories set out below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

(i.i) Fair value through profit or loss

The Group may from time to time use derivative financial instruments such as interest rate caps and swaps to hedge its interest rate risk. Where it does, in the money derivatives and out of the money derivatives where the time value offsets the negative intrinsic value are classified as fair value through profit or loss. They are carried

in the Consolidated Statement of Financial Position at fair value with changes in fair value recognised in the Consolidated Statement of Comprehensive Income in the finance income or costs line.

The Group assets held for trading at fair value through profit or loss comprise the interest rate cap.

The Group does not apply hedge accounting.

(i.ii) Amortised cost

The Group's financial assets measured at amortised cost in the Consolidated Statement of Financial Position comprise trade and other receivables and cash and cash equivalents.

These assets arise principally from the leasing of property to tenants (e.g. rent and service charge receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

Impairment provisions for rent, service charge and direct recharge receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the rent, service charge and direct recharge receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for these receivables. For the receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within the Consolidated Statement of Comprehensive Income. On confirmation that the rent, service charge or direct recharge receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

e.ii) Financial liabilities

The Group classifies its financial liabilities as 'other financial liabilities'. The Group's accounting policy for other financial liabilities is outlined below.

Other financial liabilities include the following items:

- Bank borrowings, which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Consolidated Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Upon amendment to the terms of bank borrowings, bank borrowings are assessed to be either substantially modified in accordance with IFRS 9. For non-substantial modifications, the liability is restated based on the net present value with a subsequent gain or loss recognised in profit or loss. For substantial modifications, extinguishment accounting is applied with the existing liability derecognized and new or modified liability recognized at fair value. Interest expense is then recognized over the remaining term of the loan at the effective interest rate.

- Trade payables and other short term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

f) Fair value estimations

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting year. In addition, the fair value of financial instruments measured at amortised cost is disclosed in the financial statements.

Fair value is the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants, acting in their economic best interest, at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In determining fair value, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs significant to the fair value measurement as a whole. The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- The fair values of derivative financial instruments are calculated using a discounted cash flow analysis performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Inputs used in determining fair value measurement are categorised into different levels based on how observable the inputs used are:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

- The fair value of investment properties is determined by using the direct captalisation approach (yield). Direct capitalisation approach (yield method): This method is based on the relationship between the rate of return an investor requires and net income that a property produces. The estimated rate of return (i.e. the capitalisation rate) is applied to the property's net operating income to form an estimate of the property's value. The most significant input into this valuation is the capitalisation rate which takes into account the actual location, size and quality of the property valued as well as the market data at the valuation date.

There are inter relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.. An increase in the future rental income may be linked with higher costs. If the remaining lease term increases the yield may decrease.

g) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred. The Group does not capitalise borrowing costs on qualifying investment properties.

h) Provisions

Provisions are recognised when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of economic resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

i) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable.

j) Share issue costs

The costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a deduction from equity.

k) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case, the tax is also recognised in other comprehensive income or equity. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Consolidated Statement of Financial Position.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other

than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the Consolidated Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company is registered in the United Kingdom and was subject UK corporation tax at a rate of 19%. The Company obtained REIT status on 14 May 2021, at which point any gains or losses arising from property business are exempt from UK corporation tax.

Due to the Group's status as a REIT and the intention to continue meeting the conditions required to retain approval as a REIT in the foreseeable future, the Group has not provided deferred tax on any capital gains and losses arising on the revaluation of the investment property.

The Group's subsidiaries are registered in Jersey and Guernsey, Channel Islands and are subject to local taxation at the standard rate of 0%. During the reporting period, Mailbox (Birmingham) Limited was subject to UK corporation tax of 19% from 6 April 2020.

l) Capital and reserves

Share capital

Share capital is the nominal amount of the Company's ordinary shares in issue.

3. Rental and other income

	Year ended 31 December 2021 £'000	**Year ended 31 December 2020 £'000**
Gross rental income	8,879	8,897
Spreading of tenant incentives - tenant contributions	(81)	(14)
Spreading of tenant incentives - rent free periods	1,374	2,107
Other property income	86	33
Total rental and other income before service charge	**10,258**	**11,023**
Service charges and direct recharge (see note 4)*	3,746	4,143
Total rental and other income	**14,004**	**15,166**

All rental, service charge and direct recharge and other income is derived from the United Kingdom and from external parties. Revenue includes £0.2 million (2020: £0.3 million) due from variable lease payments not dependent on an index or rate.

**The directors have reviewed the underlying agreements and determined that the Company is a principal under IFRS15. As a result the relevant income and expenses generated/incurred relating to service charges and direct recharges have been recognised and presented as gross in the financial statements. Please refer to note 4 for the relevant expense incurred during the year.*

4. Expenses

	Year ended	**Year**

	31 December 2021	ended 31 December 2020
	£'000	£'000
Property operating expenses	1,806	1,254
Write off of rent receivables*	470	445
Service charges and direct recharges (see note 3)	3,746	4,143
Total property operating expense	**6,022**	**5,842**
Other operating expenses		
Investment management fee**	261	291
Auditor remuneration	76	66
Operating costs	565	1,617
Directors' remuneration (note 5)	102	54
Total other operating expenses	**1,004**	**2,028**
Total expenses	**7,026**	**7,870**
Total expenses (excluding service charges and direct recharges)	**3,280**	**3,727**

4. Expenses

Audit remuneration		
Statutory audit of Annual Financial Report	68	66
Non-audit		
Work performed on Initial Public offering (note 16)	48	-
Work performed on the 2021 half year report	8	
Total fees paid to BDO LLP	**124**	**66**

Property operating expenses includes a £0.2 million in respect of the claim served to M7 Arch Holdco Limited by Royal Arch Management Limited ("RAML"), the residential tenant of the residential block, to cover costs of providing aesthetic solution to the RAML walkways. Please see note 22 for further details.

Furthermore, operating costs have reduced because of the impact of £1.1 million of IPO costs that were incurred in the prior year.

** Included within write off of rent receivables are £0.04 million of receivables written off in the current year that were not initially provided for (note 10).*

*** Investment management in the prior year contained fees for property management services now treated as property operating expenses in the current year. Current year investment management relate solely to fees payable to the Asset Manager and to the AIFM effective from the date of listing.*

5. Directors' remuneration

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Directors' fees	95	50
Tax and social security	7	4
Total Directors' remuneration	**102**	**54**

The Group has no employees. The Non-Executive directors are considered key management personal and are disclosed in note 21.

6. Finance income and expenses

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000

Bank interest received	-	2
Total finance income	**-**	**2**
Interest payable on external loan (note 12)	(4,239)	(3,549)
Interest payable on loan with parent (note 13)	(857)	(2,245)
Amortisation of loan issue costs (note 12)	(194)	(511)
Loss on loan modification (note 12)	(288)	-
Other finance costs*	(335)	(277)
Total finance costs	**(5,913)**	**(6,582)**
Net finance costs recognised in Consolidated Statement of Comprehensive Income	**(5,913)**	**(6,580)**

** Other finance costs are predominantly relate to costs incurred on the aborted Goldman Sachs refinancing.*

7. Taxation

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Tax charge comprises:		
Analysis of tax charge in the period		
Profit / (loss) before tax	1,828	(22,439)
Theoretical tax at UK corporation tax standard rate of 19.00% (2020: 19.00%)	347	(4,263)
Non-taxable items	314	3,672
Expenses not deductible	77	667
Income not taxable	(119)	-
Corporate interest restriction	273	628
Utilisation of brought forward losses	(506)	(704)
Effects of tax-exempt items under REIT regime	(386)	-
Total	-	-

The Group obtained REIT status on 14 May 2021, at which point any gains or losses arising from property business are exempt from UK corporation tax.

Due to the Group's status as a REIT and the intention to continue meeting the conditions required to retain approval as a REIT in the foreseeable future, the Group has not provided deferred tax on any capital gains and losses arising on the revaluation of the investment property.

8. Earnings/ (loss) per share and NAV per share

	Year ended 31 December 2021	Year ended 31 December 2020
Earnings/ (loss) per share:		
Profit and total comprehensive income/ (loss) (£'000)	1,828	(22,439)
Weighted average number of shares (Number)	54,296,439	368,990*
Earnings/ (loss) per share (basic and diluted) (pence)***	**3.37**	**(6,081.19) ****
EPRA EPS:		
Profit and total comprehensive income/ (loss) (£'000)	1,828	(22,439)
Adjustment:		
Change in fair value of investment properties (£'000)	35	22,463
EPRA earnings (basic and diluted) (£'000)	**1,863**	**24**
EPRA EPS (basic and diluted) (pence)	**3.43**	**6.50****
Adjusted EPS:		
EPRA earnings (basic and diluted) (£'000)	1,863	24
Adjustments:		
Rental income recognised in respect of tenant contributions (£'000)	81	14

Rental income recognised in respect of rent free periods (£'000)	(1,374)	(2,107)
Amortisation of loan arrangement fee (£'000)	194	(511)
Loss on modification (£'000)	288	-
Non-cash interest expense (£'000)	945	-
(Reversal) / impairment provision on tenant receivables (£'000)	(798)	692
Adjusted earnings (basic and diluted) (£'000)	**1,199**	**(1,888)**
Adjusted EPS (basic and diluted) (pence)****	**2.21**	**(511.67)****

NAV per share:		
Net asset value (£'000)	85,950	(8,145)
Ordinary shares (Number)	84,850,001	1,000,001
NAV per share (pence)	**101.30**	**(814.50)****

EPRA Net Reinvestment Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV).

	31 December 2021		31 December 2020	
	EPRA NRV	**EPRA NTA / EPRA NDV**	**EPRA NRV**	**EPRA NTA / EPRA NDV**
	£000	£000	£000	£000
Net assets/ (liabilities)	85,950	85,950	(8,145)	(8,145)
Purchasers' costs*****	12,626	-	12,305	-
Break costs******	-	-	-	-
NAV	98,576	85,950	4,160	(8,145)
Number of shares	84,850,001	84,850,001	1,000,001	1,000,001
NAV per share (pence)	**116.1**	**101.30**	**415.9**	**(814.50)**

** Prior year loss per share were restated to use the weighted average number of shares in the calculation.*

*** Prior year NAV per share, EPRA EPS and Earnings per share were restated to present as pence as against to Sterling Pound*

****The group does not have any diluting shares.*

***** EPRA published guidelines for calculating adjusted earnings designed to represent core operational activities. The EPRA earnings are an alternative performance measure (which are disclosed in appendix 1) and are arrived at by adjusting for the changes in the fair value of the investment property. The Adjusted Earnings have been adjusted to exclude the effect of non-cash items including the straight lining of rental income in respect of rent free periods and tenant contributions, loan fee amortisation costs as well as the non-cash portion of the interest expense using the effective interest rate, loss on loan modification and provisions for impairment on rent receivables. This is a measure used by the Board to assess the level of the Group's dividend payments and is supported by cash flows. This is an Alternative Performance Measure and is not directly comparable to other companies.*

******Please see appendix 1 for reference to purchaser costs*

******* No requirement to pay any fees if the loan is repaid any time after 20 December 2021.*

Earnings per share are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The basic and diluted earnings per share are the same as there are currently no instruments either granted or in issue to dilute the earnings per share figure.

9. Investment property

9.1. Valuation of investment property

	31 December 2021 £'000	31 December 2020 £'000
Investment property		
At the beginning of the year	181,100	200,000
Additions and capital improvements	3,309	685
Revaluation of investment property	(35)	(22,463)
Movement in lease incentives	1,451	2,878
Fair value of investment property	**185,825**	**181,100**

Change in fair value of Investment property		
Change in fair value before adjustments for lease incentives	(1,486)	(25,341)
Adjustment to fair value for tenant contributions paid	158	785
Adjustment to fair value for rent smoothing of lease income	1,293	2,093
	(35)	**(22,463)**

The property has five separate uses consisting of offices, retail units, leisure/restaurants, public car park, and other (storage, auto valeting etc.). The property is held on a freehold (four) and long leasehold (one) basis.

The fair value of investment Property is determined using the direct capitalisation approach (yield method) under the accounting policy disclosed in note 2.4(f).

Independent professionally qualified external valuers, Avison Young, have performed the valuation of the investment property for both financial years. Avison Young are an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued.

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation - Global standards ("the Red Book"). The valuation has been carried out on the basis of fair value (as defined under International Valuations Standards 2011 and IFRS 13) as settled by the International Valuation Standards Councils set out in Valuation Practice Statement 4 of the Red Book.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and yield applicable to those flows.

Additions and capital improvements include retentions payable one year from practical completion incurred on the level 1 redevelopment. Actual cash expenditure in the year was £2.4 million.

9.2. Fair value measurement

At each reporting date, the independent valuers analyse the movements in the investment property fair value. For this analysis, the independent valuer verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts (e.g. rent amounts in rental contracts), market reports (e.g., market rent, cap rates in property market reports) and other relevant documents.

The estimated rental value is a measure of the estimated rent that could be applied if a property were leased on the open market. This measure is calculated by the Group's property valuer and is based on characteristics such as the condition of the property, amenities, location and local market conditions, including both contractual and market estimations of the property's rent at that time.

The property's change in fair value is also compared to evidence from relevant external sources (such as investment property database or other relevant benchmarks) to determine whether the change is reasonable.

Highest and best use

A change of use to the 1st floor from retail to office is considered the highest and best use.

9.3. Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

1) Estimated Rental Value ("ERV"); and
2) Equivalent yield.

Increases/(decreases) in the ERV (per sq ft per annum) in isolation would result in a higher/(lower) fair value measurement. Increases/(decreases) in the yield in isolation would result in a lower/(higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement, categorised within Level 3 of the fair value hierarchy of the portfolio of investment property and investments are:

Class	Fair value £'000	Valuation technique	Significant unobservable inputs	Range
31 December 2021				
		Direct	ERV	£13,514,334
Investment Property	185,825	capitalisation	Equivalent yield	4.25% - 10%
31 December 2020				
		Direct	ERV	£14,969,172
Investment Property	181,100	capitalisation	Equivalent yield	4.25% - 10%

Where possible, sensitivity of the fair values of Level 3 assets are tested to changes in unobservable inputs to reasonable alternatives.

	31 December 2021			
	Change in ERV		**Change in equivalent yield**	
	£'000	**£'000**	**£'000**	**£'000**
Sensitivity Analysis	**+10%**	**-10%**	**+0.5%**	**-0.5%**
Resulting fair value of investment property	198,484	173,932	170,194	204,605

	31 December 2020			
	Change in ERV		**Change in equivalent yield**	
	£'000	**£'000**	**£'000**	**£'000**
Sensitivity Analysis	**+10%**	**-10%**	**+0.5%**	**-0.5%**
Resulting fair value of investment	195,833	168,922	165,339	200,117

property

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period.

10. Trade and other receivables

	31 December 2021 £'000	31 December 2020 £'000
Tenant receivables	1,244	3,630
Less: Provision for impairment of tenant receivables	(232)	(1,194)
Other receivables	4,275	1,967
Fair value of derivative instruments	69	-
Other prepayments	371	446
Total	**5,727**	**4,849**

Included within other receivables is £3.8 million (2020: £1.1 million) of cash collected and held with the property's managing agent which does not meet the criteria of cash and cash equivalents.

The derivative instrument is a cap on the Deutsche Bank loan facility (note 12) fixing £108.5 million at a rate of 1.5%. The cap has a maturity date of January 2023.

	31 December 2021 £'000	31 December 2020 £'000
Opening provision for impairment of tenant receivables	1,194	364
(Decrease) / increase during the year	(449)	1,275
Receivables written off during the year (note 4)	(513)	(445)
(Reversal)/ impairment loss during the year	(962)	830
At year end	**232**	**1,194**

The provision for impairment is as follows:

	0 to 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	91 to 120 days £'000	121+ days £'000	Total £'000
2021						
Tenant receivables	603	44	-	99	498	1,244
Provision for/ (reversal of) impairment of tenant receivables	(15)	3	-	(18)	(202)	(232)
Net amount	**588**	**47**	**-**	**81**	**296**	**1,012**

	0 to 30 days £'000	31 to 60 days £'000	61 to 90 days £'000	91 to 120 days £'000	121+ days £'000	Total £'000
2020						
Tenant receivables	1,493	103	44	618	1,372	3,630
Provision for impairment of tenant receivables	(206)	(3)	-	(174)	(811)	(1,194)
Net amount	**1,287**	**100**	**44**	**444**	**561**	**2,436**

11. Trade and other payables

	31 December 2021	31 December 2020

	£'000	£'000
Deferred income	4,744	3,836
Trade creditors	1,635	373
Accruals	632	1,155
VAT payable	576	1,398
Other creditors	547	468
Total	**8,134**	**7,230**

Trade payables are non-interest bearing and are normally settled on 30 day terms. Accruals include £nil (2020: £0.9 million) of expenses relating to the listing. The increase in trade creditors is primarily related to the December invoice received for the development of the office space conversion (note 14) and was paid in January 2022.

12. Interest bearing loans and borrowings

	31 December 2021 £'000	31 December 2020 £'000
At the beginning of the year	120,000	120,000
Bank borrowings repaid in the year	(11,500)	-
Total facility drawn	**108,500**	**120,000**
Less: opening unamortised loan issue costs	(1,001)	(1,512)
Less: loan issue costs incurred in the year	(2,056)	-
Plus: amortisation of loan issue costs	194	511
Plus: loss on loan modification	288	-
Plus: accrued interest	1,589	663
At end of period	**107,514**	**119,662**

Repayable in less than a year	-	20,000
Repayable between 1 and 2 years	108,500	-
Repayable between 2 and 5 years	-	100,000
Total at end of period	**108,500**	**120,000**

During the year, the Group made repayments of the Deutsche Bank facility of £0.3 million and £1.5 million respectively on the January and April interest payment dates. The repayments were funded by rental receipts received by the Group.

Upon listing of the Company on the IPSX, the loan facility was amended reducing the loan facility by a further £9.7 million to £108.5 million, an increase in the margin from 2.75% to 2.95% and incurred finance costs of £2.0 million. The repayment and costs were funded with the proceeds from the listing. In accordance with IFRS 9, the amendment constituted a debt modification by management with a loss on modification recognised during the year in the amount of £0.3 million.

Following the date of modification, 14 May 2021, interest is accrued on the loan at the effective rate of interest of 4.499%. The maturity date of the loan remains January 2023, with two options to extend by one year.

The loan is secured by a fixed charge over the property (note 9). Prior to the loan modification, loan issuance costs were initially recorded as a deduction of the loan carrying amount with the costs subsequently amortised over the term of the loan. The amortisation of loan issuance costs was reported as an interest expense in the Consolidated Statement of Comprehensive Income.

The obligor's to the loan are Mailbox (Birmingham) Limited, M7 Real Estate Investment Partners MB Propco Limited, and M7 Real Estate Investment Partners MB Archco Limited.

As at 31 December 2021, the Group had utilised all of its £108.5 million fixed interest loan facility (2020: £120.0 million) with Deutsche Bank and was geared at an LTV of 58.4% (2020: 66.3%).

Under the terms of the bank covenants, the Group is required to ensure that:

- the debt yield, being passing rental as a percentage of the outstanding loan, on each interest payment date is at least 6.75%; and
- the LTV being the outstanding loan balance as a percentage of the property value, at any time does not exceed:
  - prior to the listing of the group, 74.9%; and
  - following the listing of the group, 60%

Due to the prevailing market conditions caused by COVID-19, the Group obtained waivers for compliance of the tests on the interest payment dates falling in January and April 2021. No waivers were obtained subsequent to that date.

For the July 2021, October 2021 and January 2022 interest payment dates, the Group was fully compliant with the bank covenants.

	31 December 2021 £'000	31 December 2020 £'000
Reconciliation to cash flows from financing activities		
At the beginning of the year	**119,662**	**118,616**
Loan repayments	(11,500)	-
Loan issuance costs paid	(2,056)	-
Interest paid	(3,313)	(3,014)
Total changes from financing cash flows	**(16,869)**	**(3,014)**
Other changes:		
Interest expense	4,239	3,549
Loss on loan modification	288	-
Amortisation of loan issue costs	194	511
Total other changes:	**4,721**	**4,060**
At the end of the year	**107,514**	**119,662**

13. Intercompany loans due to parent

	31 December 2021 £'000	31 December 2020 £'000
At the beginning of the year	68,947	67,377
Current intercompany loans to parent drawn in the year	700	2,066
Current intercompany loans to parent repaid in the year	(1,723)	(1,481)
Total facility drawn	**67,924**	**67,962**
Plus: movement in accrued interest	857	985
Non-cash settlement of loan for shares (note 16)	(58,000)	-
Waiver of loan	(10,781)	-
At end of period	**-**	**68,947**
Repayable less than a year	-	64,947
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	-	4,000
Total at end of period	**-**	**68,947**

Intercompany loans due to parent comprise £nil (2020: £68.9 million) of unsecured interest-bearing loans owed to M7 Real Estate Investment Partners MB LP (controlling shareholder).

During the period, the Company received additional shareholder loans totalling £0.7 million and made a repayment of £1.7 million. On 14 May 2021, upon listing, the Group settled £58 million of its shareholder loans in exchange for shares in the Company. Principal outstanding of £8.9 million and £1.8 million of loan interest (total £10.8 million) were waived at the same time.

Interest was accrued on these loans at 3.5% per annum with interest paid quarterly. As at 31 December 2021, interest charged during the year amounted to £0.9 million (2020: £2.3 million).

	31 December 2021 £'000	31 December 2020 £'000
Reconciliation to cash flows from financing activities		
At the beginning of the year	68,947	67,560
Shareholder loan drawn down	700	2,066
Shareholder loan repaid	(1,723)	(1,481)
Shareholder interest paid	-	(1,443)
Total changes from financing cash flows	(1,023)	(858)
Other changes:		
Waiver of loan	(10,781)	-
Non-cash settlement for subscription to shares (note 16)	(58,000)	-
Interest expense	857	2,245
Total other changes:	(67,924)	2,245
At the end of the year	**-**	**68,947**

14. Commitments

Operating lease commitments - as lessor

The Group has entered into lease agreements on its property. The commercial property leases typically have remaining lease terms between 1 and 32 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2021 are as follows:

	31 December 2021 £'000	31 December 2020 £'000
Less than one year	9,807	9,372
One to two years	9,776	9,855
Two to three years	9,756	9,870
Three to four years	9,631	9,842
Four to five years	7,955	9,717
Five to ten years	32,942	34,788
Ten to fifteen years	21,315	23,641
Over fifteen years	62,918	66,742
Total	**164,100**	**173,827**

Capital commitment

It is the Group's intention to convert the level 1 units from retail to offices. This is expected to incur costs of £9.3 million (based off the latest cash projection) million with the conversion expected to complete in Q2 2022. As of the reporting date, £3.3 million had been incurred.

In addition, the Group has a commitment to pay a capital contribution £0.1 million as part of the Sixes Cricket Club lease agreed in December 2021.

Furthermore, as part of the lease agreed with Washington Green Retail Limited (trading as Castle Fine Art), the Group has a commitment to carry out of CAT A fit out works with a cap of £0.4 million.

15. Investment in subsidiaries

The Company has one wholly owned subsidiary and three indirectly owned subsidiaries as disclosed below:

Name and company number	Country of registration and incorporation	Date of incorporation	Principal activity	Ordinary Shares held
M7 Real Estate Investment Partners MB Holdco Limited Registered number: 129132	Jersey	28-May-19	Holding of property investments via SPVs	81,747,165
M7 Real Estate Investment Partners MB Propco Limited Registered number: 129133	Jersey	28-May-19	Holding of property investments via SPVs	79,985,832
Mailbox (Birmingham) Limited Registered number: 53266	Guernsey	30-Mar-11	Property investment	79,985,831
M7 Real Estate Investment Partners MB Archco Limited Registered number: 130428	Jersey	02-Dec-19	Property investment	1

16. Share capital

	For the year ended 31 December 2021 £'000	*For the year ended 31 December 2021* Number of Ordinary Shares	*For the year ended 31 December 2020* £'000	*For the year ended 31 December 2020* Number of Ordinary Shares
Ordinary Shares issued and fully paid				
At the beginning of the year	100	1,000,001	-	2
Additions - £0.10 par value shares (2020: £1.00 per value shares)	8,385	83,850,000	100	999,999
Less: Transaction costs arising on share issue	(99)	-	-	-
At the end of the year	**8,386**	**84,850,001**	**100**	**1,000,001**

At 1 January 2020, the value of allotted, called up and fully paid share capital is £2, hence reflected as nil above (being less than the minimum value presented of £1,000).

Upon listing, the Group issued 83.85 million shares with a par value of £0.10. Costs of £0.1 million were incurred upon the issue of these shares. Of the proceeds, £58.0 million was received in lieu of the existing shareholder loan at the time of listing, thus extinguishing the liabilities, with the remaining £25.9m received in cash. A total of £75.5 million was recognised as share premium (note 17).

17. Share premium

	31 December 2021 £'000	31 December 2020 £'000
At the beginning of the year	-	-
Share premium on share issuance (note 16)	75,465	-
Cancellation of share premium	(75,465)	-
At the end of the year	-	-

83.85 million shares were issued with an issue price of £1 at a par value of £0.10 (note 16). On 7 July 2021, the Board approved a cancellation of the share premium of £75.5 million which was subsequently moved to retained earnings. Court approval was received for this cancellation.

18. Dividends paid

	31 December 2021 £'000	31 December 2020 £'000
First interim dividend declared and paid in respect of the period from 14 May to June 2021 0.92p per Ordinary Share (2020: nil)	781	-
Second interim dividend declared and paid in respect of the quarter ended 30 September 2021 1.75p per Ordinary Share (2020: nil)	1,484	-
Third interim dividend declared* in respect of the quarter ended 31 December 2021 1.75p per Ordinary Share (2020: nil)	1,484	-
Total dividends declared in respect of the year	**3,749**	**-**
Third interim dividend declared* in respect of the quarter ended 31 December 2021 1.75p per Ordinary Share (2020: nil)	(1,484)	-
Total dividends paid during the year	**2,265**	**-**

** Dividend declared on 27th January 2022 and paid on 25 February 2022.*

19. Financial risk management and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of the Group's loans and borrowings is to finance the acquisition, maintenance and improvement of the Group's property. The Group has various financial assets such as rent and other receivables and cash and short-term deposits that arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and further risks inherent to investing in investment property. The Group's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The principal risks facing the Group in the management of its investment property are as follows:

19.1. Market price risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks in the reporting periods arose from open positions in interest bearing assets and liabilities, to the extent that these positions were exposed to general and specific market movements. Management sets limits on the exposure to interest rate risk that may be accepted, which are monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

From time to time, the Group may enter into interest rate hedging agreements to manage the interest rate risks arising from the Group's operations and its sources of finance.

During the reporting periods the Group was exposed to price risk other than in respect of financial instruments, such as property price risk (which includes property rentals risk when the property is available for let). The Group was exposed to the risk that the revenue from properties and property values may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction in demand for properties in the market in which the Group operates, the attractiveness of the properties to tenants, the quality of the property management, competition from other available properties and increased operating costs (including real estate taxes). The Group manages the risk by monitoring the indicators of market direction and forward planning of investment decisions; where possible, selection of a large and diversified tenant base; review of tenant covenants before new leases are signed; long-term leases and active credit control process; good relationships with tenants and property managers and active asset management of the properties to control the operating costs and ensure their continuing attractiveness to the market and existing tenants.

The Group does not have any exposure to foreign currencies and therefore is not exposed to foreign exchange risk.

The Group is not exposed to commodity or security price risk.

19.2. Real estate risk

Property investments are illiquid assets and can be difficult to sell, especially if local market conditions are poor. Illiquidity may also result from the absence of an established market for investments, as well as legal or contractual restrictions on resale of such investments.

There can be no certainty regarding the future performance of any of the investment property. The value of any property can go down as well as up.

Real property investments are subject to varying degrees of risk. The yields available from investments in real estate depend on the amount of income generated and expenses incurred from such investments.

There are additional risks in vacant, part vacant, redevelopment and refurbishment situations, although these are not prospective investments for the Group.

These aspects, and their effect on the Group from a going concern perspective are discussed in more detail in the Going Concern policy note 2.1.

19.3. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group has no significant concentrations of credit risk. During the reporting periods the Group was exposed to credit risks from both its leasing activities and financing activities, including deposits held with banks and financial institutions. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties.

The Group manages credit risk by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed at the time of entering into a lease agreement. Outstanding tenants receivables are regularly monitored. Cash balances are held and derivatives are agreed only with financial institutions with high credit ratings. The Group has policies that limit the amount of credit exposure to any financial institution. The utilisation of credit limits is regularly monitored.

All cash deposits are placed with approved counterparties, Royal Bank of Scotland International and Barclays.

The table below shows the Group's exposure to credit risk:

	31 December 2021 '000	31 December 2020 '000
Debtors (excluding prepayments and derivatives)	5,287	4,403
Cash and cash equivalents	10,046	1,745
Total	**15,333**	**6,148**

19.4. Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its borrowings. It is the risk the Group will encounter difficulty in meeting its financial obligations as they fall due as the majority of the Group's assets are investment properties and therefore not readily realisable. The Group's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by quarterly review/ monitoring of forecast and actual cash flows by the Investment Adviser and Board of Directors.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The below table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Financial assets

	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2021						
Trade and other receivables	-	5,287	-	-	-	5,287

Cash and cash equivalents	10,046	-	-	-	-	10,046
Total	**10,046**	**5,287**	**-**	**-**	**-**	**15,333**

	On demand	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2020						
Trade and other receivables	-	4,403	-	-	-	4,403
Cash and cash equivalents	1,745	-	-	-	-	1,745
Total	**1,745**	**4,403**	**-**	**-**	**-**	**6,148**

Financial liabilities

	On demand	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2021						
Trade and other Payables	-	2,814	-	-	-	2,814
Interest bearing loans and borrowings	-	-	-	108,500	-	108,500
Interest payable on interest bearing loans	-	1,465	2,486	181	-	4,132
Total	**-**	**4,279**	**2,486**	**108,681**	**-**	**115,446**

	On demand	**< 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2020						
Trade and other Payables	-	1,996	-	-	-	1,996
Intercompany loan payables	63,692	-	-	4,000	-	67,692
Interest bearing loans and borrowings	-	20,000	-	100,000	-	120,000
Interest payable on interest bearing loans	1,113	210	2,619	4,478	-	8,420
Total	**64,805**	**22,206**	**2,619**	**108,478**	**-**	**198,108**

19.5. Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Prior to their extinguishment, the Group was not exposed to interest rate risk on its intercompany loans (note 13) as a result of the interest rate being a fixed percentage.

During the reporting period the Group was exposed to interest rate risk on its long-term borrowings (note 12). To mitigate this risk, on 20 July 2021, the Company entered into an Interest Rate Cap ('Cap') hedging agreement with the senior lender. The Cap has a term of 19 months with a cap rate of 1.5%. There is currently no significant interest rate cash flow risk, nor is there any current future exposure to fair value risk which is expected to have any significant impact on cashflows.

The following table demonstrates the sensitivity to a reasonable change in interest rates on loans and borrowings, while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated. The analysis is prepared assuming the amount of liability outstanding at the Consolidated Statement of Financial Position date was outstanding for the whole year. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/	**Effect on profit**	**Effect on profit**

	decrease in basis points	before tax 2021 £	before tax 2020 £
Interest basis:			
SONIA	-50 basis points	542,500	600,000
SONIA	-25 basis points	271,250	300,000
SONIA	+25 basis points	(271,250)	(300,000)
SONIA	+50 basis points	(542,500)	(600,000)

20. Capital management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Prior to their extinguishment, intercompany loans were considered subordinated to all the liabilities and are managed as capital (note 13).Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. During the year, due to the impact on the property from COVID-19, the Group agreed a waiver with their lender for two quarters ended April 2021. Since then, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements

21. Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions with controlling shareholder

As at 31 December 2021, there were loans of £Nil (31 December 2020: £68.9 million) due to M7 Real Estate Investment Partners MB LP, which has a shareholding of 68.8% of the Company. Prior to the listing of the Company, the loan had a balance of £68.7 million and accrued interest of £1.8 million. As part of the listing process £58.0 million of this balance (after factoring in the loan repayment of £1.7 million that was left outstanding at admission), was capitalised and the balance amounting to £10.8 million was waived.

Asset Manager & AIFM

M7 Real Estate Ltd was appointed as Asset Manager and M7 Real Estate Financial services was appointed AIFM on 22 September 2020. The Asset Manager and the AIFM are related to the Group by virtue of common ownership. Total fees of £261,000 were accrued for the Asset Manager and AIFM during the period and remain unpaid. No fees were charged during the year ended 31 December 2020 as the agreement specifies that the fee is chargeable from date of listing.

Directors

Directors of the Group are considered to be the key management personnel. Directors' remuneration is disclosed in note 5. The Directors hold 55,000 (2020: Nil) shares in the Company.

22. Events after reporting date

Dividend

On 27 January 2022, the Board declared an interim dividend of 1.75 pence per share in respect of the period from 01 October 2021 to 31 December 2021. This was paid on 25 February 2022 to shareholders on the register as at 03 February 2022. The ex-dividend date was 04 February 2022.

RAML legal dispute

A long lease has been granted to RAML in connection with the 144 residential apartment development at roof level. Under the terms of the lease, the lessee is required, at their own expense, to keep the area demised under the terms of the lease in full repair. A number of apartments beneath these roof terraces have suffered damage resulting from rainwater ingress. The Group maintains that the demise includes certain "roof terraces" and the lessee has claimed that such roof terraces are outside of the demise and they are therefore not responsible for bearing the cost of repairs to the apartments. The Group's position is supported by an opinion from Leading Counsel.

A stay to proceedings was negotiated in September 2021 on the provision that the parties would try and reach a resolution through mediation channels. Despite both sides progressing in accordance with this direction, in March 2022, the lessee decided to cease discussions and proceed to court.

23. Controlling party

As at the year-end date and at the date of this Annual Financial Report, the Group's immediate parent is M7 Real Estate Investment Partners MB LP, a partnership registered in Jersey. The ultimate controlling party of the Group is M7 Real Estate Limited, which is incorporated in the United Kingdom.

Company Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000

	Note		
Assets			
Non-current Assets			
Investments in subsidiary companies	3	81,797	50
		81,797	**50**
Current Assets			
Trade and other receivables	4	101	81
Cash and cash equivalents		453	29
		554	**110**
Total Assets		**82,351**	**160**
Current Liabilities			
Trade and other payables	5	604	1,534
Total Liabilities		**604**	**1,534**
Net Assets / (Liabilities)		**81,747**	**(1,374)**
Issued share capital and reserves			
Share capital	6	8,386	100
Share premium	7	-	-
Retained earnings / (loss)		73,361	(1,474)
Total reserves / (deficit) attributable to equity holders of the Group		**81,747**	**(1,374)**

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income in these financial statements. The Company results for the year include a profit after tax of £1.6 million (2020: loss of £1.4 million) with is dealt within the Consolidated Financial Statements of the Group.

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

The financial statements of Mailbox REIT plc were approved and authorised for issue by the Board of Directors on 30 March signed on its behalf by:

Stephen Barter
Director
30 March 2022

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total reserves attributable to equity holders of the Group £'000
For the year ended 31 December 2021				
Balance as at 1 January 2021	100	-	(1,474)	(1,374)
Contributions by and distributions to owners				
Ordinary shares issued	8,385	75,465	-	83,850
Cancellation of share premium	-	(75,465)	75,465	-
Dividends paid	-	-	(2,265)	(2,265)
Share issue costs - current year	(99)	-	-	(99)
Total contributions by and distributions to owners	8,286	-	73,200	81,486
Total comprehensive income	-	-	1,635	1,635

Balance as at 31 December 2021	**8,386**	**-**	**73,361**	**81,747**
For the period ended 31 December 2020				
Balance as at 18 March 2020	-	-	-	-
Contributions by and distributions to owners				
Shares issued	100	-	-	100
Total comprehensive loss	-	-	(1,474)	(1,474)
Balance as at 31 December 2020	**100**	**-**	**(1,474)**	**(1,374)**

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

Notes to the Financial Statements

1. Corporate information

The Company is a public limited company and incorporated on 18 March 2020 and domiciled in the UK and is registered in England and Wales. The registered office of the Company is located at 18 St Swithin's Lane, London, United Kingdom, EC4N 8AD.

The Company is the ultimate parent company of its subsidiaries listed in the Group note 15. Its primary activity is to hold shares in subsidiary companies.

On 14 May 2021, the Company was admitted to trading on the IPSX (www.ipsx.com) on the Wholesale Market with 84.85 million shares in issue. The listing raised additional capital of £83.9 million (of which £25.9 million was raised in cash proceeds), including £75.5 million of share premium. The Consolidated Annual Financial Report of the Group can be found at www.themailboxreit.com.

2. Significant accounting policies

2.1. Basis of preparation

These Company financial statements are prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The financial statements of the Company follow the accounting policies of the Group laid out on pages 59 to 66.

For an assessment of going concern refer to the accounting policy 2.1 of the Group on pages 59 to 61.

The current period is for the year to 31 December 2021. The comparative period is from its incorporation on 18 March 2020 to 31 December 2020.

Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Investments in Subsidiary Companies

Investments in subsidiary companies which are all 100% owned by the Company are included in the Statement of Financial Position at cost less provision for impairment.

Impairment of non-financial assets

The carrying amounts of the Company's investment in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary entities are fully consolidated from the date on which control is transferred to the Group, being the date on which the Group gains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Group using consistent accounting policies. All intra group balances, transactions and unrealised gains and losses resulting from intra group transactions are eliminated in full.

3. Investments in subsidiary companies

	31 December 2021 £'000	31 December 2020 £'000
Opening balance	50	-
Investment in subsidiary companies - additions	81,747	50
Closing balance	**81,797**	**50**

A list of subsidiary undertakings at 31 December 2021 is included in note 15 of the Consolidated Financial Statements.

The Directors have considered the recoverability of the investment in subsidiary company by comparing the carrying value of the investment to the net asset value of the subsidiary. The Directors consider the net asset value of the subsidiary to be a reliable proxy to the recoverable amount as the investment property held by the Group are carried at fair value. The net asset value of the subsidiary exceeds the carrying amount of the investment in subsidiary and the Directors have concluded that no impairment is necessary.

The Company's investment in subsidiary was increased with £22.0 million of cash proceeds raised upon the listing of the Company, and £59.7 million of intercompany loans provided from the Company's parent that were settled in exchange for shares.

4. Trade and other receivables

	31 December 2021 £'000	31 December 2020 £'000
Intercompany loans due from group undertakings	66	-
Prepayments	22	-
VAT receivable	13	81
Total	**101**	**81**

5. Trade and other payables

	31 December 2021 £'000	31 December 2020 £'000
Other payables	296	8
Trade payables	182	59
Accruals	127	974
Intercompany loans due to group undertakings	-	493
Total	**605**	**1,534**

Trade payables are non-interest bearing and are normally settled on 30 day terms. Amounts due to parent are unsecured, interest free and repayable on demand. Accruals include £nil (2020: £0.8 million) of expenses relating to the listing of the Company.

6. Share capital

	For the year ended 31 December 2021		*For the period ended 31 December 2020*	
	£'000	**Number of Ordinary Shares**	**£'000**	**Number of Ordinary Shares**
Ordinary Shares issued and fully paid				

At the beginning of the year / period	100	1,000,001	-	2
Additions - £0.10 par value shares (2020: £1.00 per value shares)	8,385	83,850,000	100	999,999
Less: Transaction costs arising on share issue	(99)	-	-	-
At the end of the year / period	**8,386**	**84,850,001**	**100**	**1,000,001**

The share capital of the Company was issued in two tranches. At incorporation on 18 March 2020, the Company issued 50,000 shares with a par value of £1 each. On 28 August 2020, a further 50,000 £1 shares were issued in conjunction with a sub-division of the existing £1 shares into 10p shares.

As part of the group reconstruction in August 2020, in exchange for the £50,000 share capital issued to the Company's current parent, the Company acquired the shares of its subsidiary, M7 Real Estate Investment Partners MB Holdco Limited (note 3).

Upon listing of the Group in May 2021, the Group issued 83.85 million shares with a par value of £0.10. Costs of £0.1 million were incurred upon the issue of these shares.

7. Share premium

	31 December 2021 £'000	31 December 2020 £'000
At the beginning of the year	-	-
Share issue	75,465	-
Cancellation of share premium	(75,465)	-
At the end of the year	-	-

Upon listing of the Group in May 2021, 83.85 million shares were issued with an issue price of £1 at a par value of £0.10 (note 6). On 7 July 2021, the board approved a cancellation of the share premium of £75,465,000 which was subsequently moved to retained earnings. Court approval was received for this cancellation.

8. Events after the reporting date

Dividend

On 27 January 2022, the Board declared an interim dividend of 1.75 pence per share in respect of the period from 01 October 2021 to 31 December 2021. This was paid on 25 February 2022 to shareholders on the register as at 03 February 2022. The ex-dividend date was 04 February 2022.

Appendix 1. EPRA Performance Measure Calculations (unaudited)

A) Calculation of EPRA NIY and 'Topped-up' NIY

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Investment property - wholly owned	185,825	181,100
Allowance for estimated purchaser's costs	12,626	12,304
Gross up completed property portfolio valuation	198,451	193,404
Annualised cash passing rental income	9,962	8,911
Property outgoings	(896)	(1,497)
Annualised net rents	9,066	7,414
Rent expiration of rent-free periods and fixed uplifts	1,217	1,308
EPRA 'topped-up' NIY	10,283	8,722
EPRA NIY	**4.57%**	**3.83%**
EPRA 'topped-up' NIY	**5.18%**	**4.51%**

EPRA NIY basis of calculation

EPRA NIY is calculated as the annualised net rent, divided by the gross value of the completed property portfolio.

The valuation of grossed up completed property portfolio is determined by our external valuers as at 31 December 2021, plus an allowance for estimated purchasers' costs. Estimated purchasers' costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

In calculating the EPRA 'topped-up' NIY, the annualised net rent is increased by the total contracted rent from expiry of rent-free periods and future contracted rental uplifts.

B) Calculation of EPRA Vacancy Rate

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Annualised potential rental value of vacant premises	944	1,236
Annualised potential rental value for the completed property portfolio	13,514	14,969
EPRA Vacancy Rate	**6.99%**	**8.25%**

Appendix 2. Alternative Performance Measure Calculations (unaudited)

APMs are numerical measures of the Group's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Group's applicable financial framework is IFRS. The Directors assess the Group's performance against a range of criteria which are reviewed as particularly relevant for a closed-end REIT.

Dividend cover

The ratio of Group's Adjusted EPS divided by the Group's dividends payable for the relevant year.

		Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Adjusted EPS (note 8)	A	2.21	(511.67)
Dividend per share*	B	4.42	-
Dividend cover	A/B	50.0%	n/a

Loan to value

LTV measures the value of loans and borrowings utilised (before adjustments for issue costs) expressed as a percentage of the combined valuation of the property (as provided by the valuer).

		31 December 2021 £'000	31 December 2020 £'000
Borrowings	A	108,500	120,000
Property value**	B	185,000	185,000
Loan to value	A/B	58.6%	64.9%

* £3.75 million declared with respect to the year divided by total number of shares (84.85million)

** The LTV calculations are based off the bank valuation of £185 million (2020: £185 million).

Company Information

Share Information	Total Voting Rights: 84,850,001 SEDOL Number: BM9BWM3 ISIN Number: GB00BM9BWM32 Ticker/TIDM: MBOX
Share Prices	The Company's Ordinary Shares are traded on the Wholesale Market of the International

	Property Securities Exchange ("IPSX")
Directors	Stephen Barter (Independent Non-Executive Chairman) Mickola Wilson (Independent Non-Executive Director) Ian Womack (Non-Independent Non-Executive Director)
Company secretary	Alter Domus (UK) Limited 18 St Swithin's Lane, London, United Kingdom, EC4N 8AD
Company number	12524041
Registered office	c/o Alter Domus (UK) Limited 18 St Swithin's Lane, London, United Kingdom, EC4N 8AD
Alternative Investment Fund Manager	M7 Real Estate Financial Services Limited 10 Queen Street Place, London, United Kingdom, EC4R 1AG
Asset Manager	M7 Real Estate Limited 10 Queen Street Place, London, United Kingdom, EC4R 1AG
Financial PR Advisor	FTI Consulting LLP 200 Aldersgate, Aldersgate Street, London EC1A 4HD
Registrar	Equiniti Limited Aspect House, Spencer Road, Lancing, West Sussex, United Kingdom, BN99 6DA Helpline: 0371-384-2030 (UK) and +44(0)121-415-7047 (Overseas) Lines are open Monday - Friday 8.30am - 5.30pm, excluding UK Bank Holidays. Website: www.shareview.co.uk
Independent auditors	BDO LLP 55 Baker Street, London, W1U 7EU
Property	Mailbox Birmingham, an office-led mixed-use asset located at Royal Mail St, Birmingham, United Kingdom, B1 1RS
Company website	https://www.themailboxreit.com

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[1] Considered to be an Alternative Performance Measure. Further details can be found at the end of this section and full calculations are set out following the Financial Statements.

[2] Prior period figures reflect a time prior to the listing where the capital structure and cost base were set up differently - see note 8 of the Consolidated Financial Statements.

[3] Please see note 9.1 of the Consolidated Financial Statements for a reconciliation of the change in fair value of investment property

[4] Considered an APM (see page 4). Please see note 8 of the Consolidated Financial Statements to show how this was calculated. Please also see the 'Key Performance Indicators' section

[5] UK Economic Outlook, December 2021, PricewaterhouseCoopers

[6] New indicator introduced in the year replacing Net Initial yield as this gives a better indication of the future returns for shareholders as it reflects future reversion potential

[7] Number of scheduled meetings attended/maximum number of meetings that the Director could have attended.

[8] Number of scheduled meetings attended/maximum number of meetings that the Director could have attended.

END