RESULTS FOR YEAR ENDED 30 JUNE 2020

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Alternative Income REIT PLC
20 October 2020

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Alternative Income REIT PLC

("**AIRE**", the "**Company**" or the "**Group**")

RESULTS FOR YEAR ENDED 30 JUNE 2020

The Board of Directors of Alternative Income REIT PLC (ticker: AIRE), the owner of a diversified portfolio of UK commercial property assets predominantly let on long leases, is pleased to announce its audited results for the year ended 30 June 2020.

Financial Highlights

- Net Asset Value of £67.29 million, and of 83.58 pence per share ('pps') as at 30 June 2020 (30 June 2019: £76.32 million and 94.81 pps), impacted by the valuation changes in the property portfolio.
- Operating profit of £5.80 million (before fair value changes) for the year (year ended 30 June 2019: £5.58 million).
- Loss before tax of £5.05 million, loss per share of 6.27 pps for the year (year ended 30 June 2019: profit before tax of £4.23 million, earnings per share of 5.26 pps). The main driver behind this was the changes in the property valuations.
- EPRA Earnings per share* for the year were 5.42 pps (year ended 30 June 2019: 5.47 pps).
- Adjusted EPS* for the year were 4.25 pps (year ended June 2019: 4.86 pps).
- Total dividends of 5.0 pps declared in respect of the year (year ended 30 June 2019: 5.5 pps), underlining the Company's strong rent collection and cash flows. The Board has reaffirmed its target annual dividend of 5.5 pence per share, with full dividend cover expected, all else being equal, by September 2022.
- The price of the Company's Ordinary Shares on the Main Market of the London Stock Exchange was 53.50 pps as at 30 June 2020 (30 June 2019: 78.75 pps).
- As at 30 June 2020, the Group had a £41.0 million loan facility with Canada Life Investments and was geared to 37.0% of the Gross Asset Value ('GAV') (30 June 2019: £41.0 million, gearing of 34.4%).
- EPRA Cost Ratio of 21.1% as at 30 June 2020 (30 June 2019: 19.2%)**.

* see Note 8 of the Consolidated Financial Statements, glossary on pages 89 to 91 of the Annual Report for definitions and abbreviations and page 10 of the Annual Report for Key Performance Indicators and their definitions.

** EPRA Cost Ratio is administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income. The full calculation can be found on page 87 of the Annual Report.

Operational Review

Following last year's Strategic Review, the Company has undergone a transformation:

- The Board has concentrated on reducing the Group's overhead in order to achieve a level of net income that will cover its dividend with cash earnings, in line with the original target at the time of the IPO.
- The Company made the necessary changes to its support team without major dislocation or interruption, whilst also achieving a reduction in its total overheads of almost 50% on an annualised basis during the final quarter of the year ended 30 June 2020, after excluding the impairments and provisions required at the year end and the one-off costs arising out of the transfer to new service providers.
- The principal change, following an extensive search involving a variety of potential managers, has been the appointment of M7 Real Estate Limited ('M7') as the Company's Investment Adviser from 14 May 2020. So far, the service has been delivered seamlessly and at significantly lower cost.
  - M7 is providing the Group with access to significant expertise and resource as well as a substantial and attractive pipeline of potential investment opportunities.
  - The Board is convinced that the appointment will improve performance and enhance the appeal of the Company, a key objective being to achieve a narrowing of the Company's share price discount to NAV and, in time, to grow the Company and attract new investment.

Whilst the full impact of the COVID-19 pandemic on the economy and property sector is still to be fully understood, the Board considers the Company to be well positioned to survive this period of uncertainty. The portfolio is currently fully let (2019: fully let) and the Group has headroom relative to its loan covenants. As at 30 September 2020, the asset valuations and rental income of the 16 properties secured to Canada Life would have needed to fall by 32% and 33% respectively before breaching the Loan to Value and Income Cover covenants respectively.

Taking account of concessions granted to certain tenants to settle their rent monthly, the Group's rents are currently split 83% quarterly and 17% monthly. As at today, all of the quarterly rents due on the September 2020 quarter day have been collected, along with all of the monthly rents due, and the remainder of the monthly rents are due by the end of this year. The Group reported on its June and March 2020 rent collections on 13 July and 24 April 2020, respectively. Since these dates, agreements have been reached with all of the Group's tenants whose rents were in arrears. Overall, 92% and 86% of rents, in respect of the June and March quarter dates respectively, have now been collected with agreements in place for the remaining arrears to be received by September 2021.

- As at 30 June 2020, the Group's property portfolio (including the Wet 'n' Wild Water Park held for sale) had a fair value of £104.76 million across 19 properties (30 June 2019: £112.99 million, 19 properties). £6.15m (74%) of this movement has been within the leisure, gym and hotel sectors, and a further £1.3m (16%) at the automotive dealerships. These sectors, both occupational and investment markets, have been amongst the most affected by the COVID-19 related lockdown.
- Weighted average unexpired lease term ('WAULT') of 19.5 years to the earlier of break and expiry (30 June 2019: 20.5 years) and 21.6 years to expiry (30 June 2019: 22.6 years).
- Rent recognised during the year was £7.35 million (30 June 2019: £6.91 million), of which, £1.28 million was accrued debtors for the combination of minimum uplifts and Meridian Steel's rent-free period (2019: £0.64 million). The number of tenants as at 30 June 2020 was 21 (30 June 2019: 21).
- The portfolio had gross passing rental income of £6.79 million as at 30 June 2020 (30 June 2019: £6.06 million), there was an additional £0.64 million subject to the Meridian Steel's rent-free period).
- EPRA Net Initial Yield ('NIY') of 5.72% as at 30 June 2020 (30 June 2019: 4.98%)*.

* EPRA Net Initial Yield is the 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 purchasers' costs estimated by the Group's External Valuers. A reconciliation can be found on page 87 of the Annual Report.

Post balance sheet event

The Group disposed of the Wet 'n' Wild Water Park, North Shields, for a total consideration of £3,204,500 (including a rent premium of £204,500) to Serco Leisure Operating Limited, the tenant and a wholly owned subsidiary of Serco Group plc. The disposal represented a 9.7% uplift on purchase price and a 12.4% premium on book value.

Proposed amendments to the Company's Investment Policy

For the Company to improve its long-term prospects and the value it delivers to shareholders and to achieve a narrowing of the discount to NAV through an increase in the share price, it needs to adapt to a rapidly changing commercial property market. The Board believe that to do so, it is critical that some changes are made to the Investment Policy, as outlined in the announcement on 5 October 2020.

Further explanation of the changes has been included in the Chairman's Statement.

All references to page numbers are in reference to the Annual Report which will be available in due course at: https://www.alternativeincomereit.com/investors/documents/2020

Steve Smith, Chairman of Alternative income REIT plc, commented:

"Despite continuing political uncertainty and the potential for global economic dislocation, the fundamentals for UK property remain strong, even though there will inevitably be a good deal of disruption in the short term.

The performance at shareholder level has been unsatisfactory, but the Group has a solid portfolio which has suffered modest impairment in the past year and should perform well moving forwards.

The proposed amendments to the investment policy will enhance the Company's capacity to pay a progressive dividend without impacting the underlying security of income and the Board is encouraged by the relatively limited valuation reduction. This resilience together with the recent cost savings leaves the Group well positioned to pursue an enhanced strategy, supported by an accomplished Investment Adviser in market conditions suited to a more active and responsive approach. The Board believes that with additional investment it can deliver to its shareholders both strong performance and a secure and progressive dividend.

Although the Board acknowledges that for certain shareholders the changes may represent a departure from the original strategy and a reduction of the commitment to a very long WAULT, we must all recognise that the world is going through a major upheaval which is having a huge impact on the physical environment and it would be wrong for the Board to ignore the changes. Investments subject to very long leases of 20 years or more have become very expensive and the Board and the Investment Adviser are convinced that the proposed target WAULT of 12 years is a more realistic objective and will deliver superior shareholder returns."

ENQUIRIES

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Further information on Alternative Income REIT plc is available at www.alternativeincomereit.com[1]

NOTES

Alternative Income REIT PLC aims to generate a sustainable, secure and attractive income return for shareholders from a diversified portfolio of UK property investments, predominately in alternative and specialist sectors. The majority of the assets in the Group's portfolio are let on long leases which contain inflation linked rent review provisions.

The Company's investment adviser is M7 Real Estate Limited ("M7"). M7 is a leading specialist in the pan-European, regional, multi-tenanted real estate market. Majority owned by its senior managers, it has over 200 employees in 14 countries across Europe. The team manages over 835 properties with a value of circa €5.1 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.

CHAIRMAN'S STATEMENT

Overview

I am pleased to present the annual audited results of Alternative Income REIT plc (the 'Company') together with its subsidiaries (the 'Group') for the financial year ended 30 June 2020.

Following last year's Strategic Review, the Company has undergone a period of transformation. The Board has concentrated on reducing the Group's expenditure in order to achieve a level of net income that will cover its dividend with cash earnings, in line with the original target at the time of the IPO. I am pleased to report that the Company made the necessary changes to its service providers without major dislocation or interruption, achieving a reduction in its total overheads of almost 50% on an annualised basis during the final quarter of the year ended 30 June 2020, after excluding the impairments and provisions required at the year end and the one-off costs arising out of the transfer to new service providers. The principal changes, being the replacement of AEW (UK) Investment Management LLP ('AEW') (the original investment manager of the Company) by M7 as Investment Adviser and the transfer of the accounting from Link Alternative Fund Administration Limited to M7 has, so far, been delivered seamlessly and at significantly lower cost, with no fee payable to M7 up to 30 September 2020. From 1 October 2020, M7 will charge an annual fee of 0.5% of the Company's net asset value, paid quarterly in arrears, but subject to a minimum fee of £90,000 per quarter.

During its tenure AEW failed to attract and secure sufficient capital to create the economies of scale necessary to deliver a high income, long lease strategy and the potential for a progressive dividend. AEW's tenure ceased on 9 April 2020 and subsequently, the Board, after an extensive search, is pleased to have appointed M7 as the Company's Investment Adviser from 14 May 2020 (during the interim period between 9 April 2020 and 14 May 2020, Mason Owen and Partners Limited acted as the Company's Investment Adviser).

M7 ha an enviable record of delivering market beating investment returns for clients. M7 is providing the Group with access to significant expertise and resource as well as a substantial and attractive pipeline of potential investment opportunities. The Board remains convinced that the appointment of M7 will improve performance and enhance the appeal of the Company over both the short and long term, a key objective being to achieve a narrowing of the discount to NAV of the Company's share price and, in time, to grow the Company and attract new investments.

The Board believes that its actions have been both disciplined and timely, even though its plans have been delayed, initially by the Brexit debate and the ensuing election, and, latterly by the COVID-19 pandemic. The Board continues to believe that the Company is well placed to navigate the effects of the COVID-19 pandemic and the market dislocation that may follow, and that, with the proposed amendments to the Investment Policy outlined on page 6 of the Annual Report, the Company will deliver value for its shareholders in both the short and longer term.

COVID-19

Whilst the COVID-19 pandemic will continue to create global uncertainty, the Board believes that the Group is well positioned, with a resilient balance sheet and a diversified portfolio of long let, index-linked assets which should perform well in the event of a wider economic recession.

Over the recent period the Company's primary focus has been the health, safety and wellbeing of its stakeholders, coupled with proportionate support for its tenants and service providers, to ensure that as far as possible the financial position of both landlord and tenant remains healthy and sustainable, whilst protecting its responsibility to its shareholders.

Taking account of concessions granted to certain tenants to settle their rent monthly, the Group's rents are currently split 83% quarterly and 17% monthly. As at today, all of the quarterly rents due on the September 2020 quarter day have been collected, along with all of the monthly rents due, and the remainder of the monthly rents are due by the end of this year. The Group reported on its June and March 2020 rent collections on 13 July and 24 April 2020, respectively. Since these dates, agreements have been reached with all of the Group's tenants whose rents were in arrears. Overall, 92% and 86% of rents, in respect of the June and March quarter dates respectively, have now been collected with agreements in place for the remaining arrears to be received by September 2021.

Whilst the full impact of the pandemic on the economy and property sector is yet to be fully understood, the Board considers the Company to be relatively well positioned to emerge successfully from this period of uncertainty. The portfolio is fully let and the Group has headroom under its loan covenants. As at 30 September 2020, the asset valuations and rental income of the 16 properties (following the sale of the Wet 'n' Wild Water Park) secured to Canada Life would have needed to fall by 32% and 33% respectively before breaching the Loan to Value and Income Cover covenants respectively.

The portfolio has suffered relatively modest valuation declines over the past two quarters when compared to more traditional UK property portfolios. This is in part a reflection of our tenants' business activities when compared to a mainstream REIT portfolio, which might typically hold retail assets. The majority of the Group's portfolio has demonstrated its defensive qualities over the recent period underpinned by assets that are less vulnerable to the shift in sentiment affecting mainstream occupational markets.

The Board is confident that the combination of a better controlled overhead and its growing and sustainable rental income should deliver a fully cash covered dividend and, with additional investment, a progressive dividend.

Portfolio Performance

The near full deployment of the Group's funds for the whole year resulted in headline rent of circa £7.35 million during the year (2019: £6.91 million), of which, £1.28 million was accrued debtors for the combination of minimum contracted uplifts and Meridian Steel's rent-free period (2019: £0.6 million).

As at 30 June 2020, the Group's property portfolio had a fair value of £104.76 million (2019: £112.99 million). The portfolio had a net initial yield of 5.77% (2019: 4.99%), a WAULT to the first break of 19.5 years (21.6 years to expiry) and 88.6% of the income is inflation linked to Retail Price Index ('RPI') or Consumer Price Index ('CPI'). The Board has reaffirmed its target annual dividend of 5.5 pence per share, with a fully cash covered dividend cover expected, all else being equal, by September 2022.

At the end of July 2020, the Company disposed of the Wet 'n' Wild Water Park, North Shields, for a total consideration of £3,204,500 (including a rent premium of £204,500) to Serco Leisure Operating Limited, the tenant and a wholly owned subsidiary of Serco Group plc. The disposal represented a 9.7% uplift on purchase price and a 12.4% premium on book value as at 30 June 2020.

Financial Results

	Year ended 30 June 2020	Year ended 30 June 2019
Operating profit before fair value changes [£'000]	5,803	5,581
Operating (loss)/profit [£'000]	(3,608)	5,407
(Loss)/profit before tax [£'000]	(5,050)	4,233
(Loss)/profit per share - basic and diluted [pence]	(6.27)	5.26
EPRA EPS - basic and diluted [pence]	5.42	5.47
Adjusted EPS [pence]	4.25	4.86
Net Asset Value per share [pence]	83.58	94.81
EPRA Net Asset Value per share [pence]	83.58	94.81

Under International Financial Reporting Standards ('IFRS') as adopted by the European Union, the Group's operating profit before fair value changes for the financial year was £5.80 million (June 2019: £5.58 million).

Basic loss per share for the financial year was 6.27 pence (30 June 2019: earnings 5.26 pence). Adjusted EPS, as calculated in Note 8, for the financial year were 4.25 pence (30 June 2019: 4.86 pence).

Under European Public Real Estate Association ('EPRA') methodology, EPS for the financial year was 5.42 pence (30 June 2019: 5.47 pence). A full list of EPRA performance figures can be found on page 11.

The audited NAV per share as at 30 June 2020 was 83.58 pence (30 June 2019: 94.81 pence).

The Group has ongoing charges of 2.22% (30 June 2019: 1.53%) for the financial year, being a measure of annualised fund level operating costs for the year as a percentage of NAV. The EPRA cost ratio for the financial year was 21.1% (30 June 2019: 19.2%).

Financing

As at 30 June 2020, the Group had fully utilised its £41.0 million loan facility with Canada Life Investments (30 June 2019: fully utilised). The weighted average interest cost of the Group's facility is 3.19% and the loan is repayable on the 20 October 2025. If repayment is made prior to this date, and the corresponding Gilt rate is lower than the contracted rate of interest, then the loan terms provide for a significant early redemption fee (as at 30 June 2020, the redemption fee would have been £5,261,651.).

Dividends

The Group declared two interim dividends of 1.375 pps, one interim dividend of 0.825 pps and a fourth interim dividend of 1.425 pps in respect of the financial year, totalling 5.00 pps (year ended 30 June 2019: four dividends totalling 5.50 pps).

In light of the circumstances affecting global economies and markets and the Group's rental collection levels for the March 2020 quarter day the Board considered it prudent to reduce the dividend for the quarter ended 31 March 2020, paying a dividend that equated to 60% of the targeted interim dividend for that quarter. For the quarter ended 30 June 2020, the Board declared a dividend of 1.425 pps, a significant increase on the 0.825 pps for the previous quarter, underlining the Company's strong rent collection for that quarter and a marginal increase compared with previous quarterly dividends.

Proposed amendments to the Company's Investment Policy

Whilst recognising that it is difficult to predict where markets will stabilise in current circumstances, the Board believes that the Group has a resilient portfolio. The Group has sustained a strong dividend distribution and delivered a significant reduction to its cost base.

However, none of this can disguise the fact that performance when measured by total shareholder return, the consequence of a combination of inadequate fund raising, asset purchase costs averaging around 6% across the portfolio and a long period of property market uncertainty, has resulted in unsatisfactory overall performance. Whilst the Company is now close to fully invested, the Board recognises that aspects of performance since IPO have been unsatisfactory, even after allowance for the change of investment manager and, more recently, market turbulence in anticipation of Brexit prior to the 2019 Election and latterly, the pandemic.

Following M7's review of the existing portfolio, the Board invited M7 to appraise the Company's Investment Policy and to make recommendations to update the investment strategy.

The Board believes that with the implementation of the proposed amendments to the investment policy and strategy announced on 5 October 2020 and outlined below, the Group has the potential to outperform from what is now a relatively strong base.

The current Investment Policy was constructed with a detailed set of restrictions, including restrictions around specific sector exposures. Many of these were required to differentiate the Company's investment policy from that of other investment vehicles managed by the Company's former investment manager, AEW. The Board believes that in light of this, the ongoing changes to the property markets and the opportunities that M7 has identified (set out in more detail in the Investment Adviser's proposed Investment Principles on page 12 of the Annual Report) that the Company will be better placed to deliver significant added value to shareholders with fewer and simpler investment restrictions.

The principal changes to the Investment Policy include reduction in the minimum WAULT of the portfolio to 12 years, removal of the requirement for leases representing 85% of gross passing rent to be linked to inflation and removal of the restrictions relating to permitted sectors, including the differentiation between traditional and non-traditional sectors.

The Board believes that, in general terms, the strategy of investment in non-traditional areas, which are becoming increasingly mainstream, remains fit for purpose. However, this needs some adjustment to reflect, in particular, the movement away from high street retail to online shopping, a big shift in sentiment in the business space market and changes in the credit environment. Specifically, the Board and the Investment Adviser see excellent potential in the warehouse and business space markets.

Therefore, following consultation with shareholders, the Company will be tabling an Ordinary Resolution at its AGM on Thursday 26 November 2020 to seek permission from shareholders to amend the Company's Investment Policy. The proposed amendments to the Company's Investment Policy are set out in more detail on pages 4 to 8 of the Notice of Meeting dated 19 October 2020 and sent to shareholders with the Annual Report and Financial Statements. An explanation of both the current and the proposed Investment Policy is set out on page 6 of the Annual Report.

The Board believes that the changes are in the best interests of the Company and shareholders as a whole and it is unanimous in recommending that shareholders should vote in favour of all resolutions, as the Directors will in respect of their own holdings.

Outlook

Despite continuing political uncertainty and the potential for global economic dislocation, the fundamentals for UK property remain strong, even though there will inevitably be a good deal of disruption in the short term.

The performance at shareholder level has been unsatisfactory but the Group has a solid portfolio which has suffered modest impairment in the past year and should perform well moving forwards.

The proposed amendments to the investment policy will enhance the Company's capacity to pay a progressive dividend without impacting the underlying security of income and the Board is encouraged by the relatively limited valuation reduction. This resilience together with the recent cost savings leaves the Group well positioned to pursue an enhanced strategy, supported by an accomplished Investment Adviser in market conditions suited to a more active and responsive approach. The Board believes that with additional investment it can deliver to its shareholders both strong performance and a secure and progressive dividend.

Although the Board acknowledges that for certain shareholders the changes may represent a departure from the original strategy and a reduction of the commitment to a very long WAULT, we must all recognise that the world is going through a major upheaval which is having a huge impact on the physical environment and it would be wrong for the Board to ignore the changes. Investments subject to very long leases of 20 years or more have become very expensive and the Board and the Investment Adviser are convinced that the proposed target WAULT of 12 years is a more realistic objective and will deliver superior shareholder returns.

I would like to thank my fellow shareholders, Directors, the Investment Advisers and our other advisers and service providers who have provided professional support and services to the Group.

Steve Smith
Chairman
19 October 2020

BUSINESS MODEL AND STRATEGY

Introduction
Alternative Income REIT plc is a real estate investment trust listed on the premium segment of the Official List of the Financial Conduct Authority ('FCA') and traded on the Main Market of the London Stock Exchange. As part of its business model and strategy, the Group has maintained and intends to maintain its UK REIT status.

Proposed Changes to Investment Policy
Shareholders' authority is being sought at the forthcoming Annual General Meeting to amend the Company's Investment Policy. This proposal is explained in the Notice of Meeting which is being sent to Shareholders with this Annual Report. The current investment objective and policy is set out below. The Investment Adviser's proposed Investment Principles with respect to the Company are set out on page 12.

Investment Objective
The investment objective of the Group is to generate a secure and predictable income return, sustainable in real terms, whilst at least maintaining capital values, in real terms, through investment in a diversified portfolio of UK properties, in alternative and specialist sectors.

Investment Policy*
In order to achieve the investment objective, the Group invests in freehold and long leasehold properties across the whole spectrum of the UK property sector, but with a focus on alternative and specialist real estate sectors. Examples of alternative and specialist real estate sectors include, but are not limited to, leisure, hotels, healthcare, education, logistics, automotive, supported living and student accommodation.

In the event of a breach of the investment policy or the investment restrictions set out below, the Investment Manager shall inform the Board upon becoming aware of the same and, if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the Investment Manager will look to resolve the breach.

Any material change to the investment policy or investment restrictions of the Group may only be made with the prior approval of shareholders.

Investment Strategy
The Group focuses on properties which can deliver a secure income and preserve capital value, with an attractive entry yield. The Group has an emphasis on alternative and specialist property sectors to access the attractive value and capital preservation qualities which such sectors currently offer.

The Group will supplement this core strategy with active asset management initiatives for certain properties.

Subject at all times to the Investment Manager's assessment of their appeal and specific asset investment opportunities, permitted sectors include, but are not limited to the following: Healthcare; Leisure; Hotels and serviced apartments; Education; Automotive; Car parks; Residential; Supported living; Student accommodation; Logistics; Storage; Communications; Supermarkets; and, subject to the limitations on traditional sector exposures below, Offices; Shopping centres; Retail and retail warehouses; and Industrial.

The Group is not permitted to invest in land assets, including development land which does not have a development agreement attached, agriculture or timber.

The focus will be to invest in properties to construct a portfolio with the following minimum targets:

- a WAULT, at the time of investment, in excess of 18 years;
- at least 85% of the gross passing rent will have leases with rent reviews linked to inflation (RPI or CPI) at the time of investment;
- investment in properties which typically have a value, at the time of investment, of between £2 million and £30 million;
- at least 70% of the properties will be in non-traditional sectors;

- less than 30% of the properties will be in the traditional sectors of Retail, Industrial and Offices; and
- over 90% of properties will be freehold or very long leasehold (over 100 years).

Once GAV is £250 million or greater, future investments will be made to target a portfolio with at least 80% of the properties in non-traditional sectors and less than 20% of the properties in traditional sectors.

Whilst each acquisition will be made on a case-by-case basis, it is expected that properties will typically offer the following characteristics:

- existing tenants with strong business fundamentals and profitable operations in those locations;
- depth of tenant/operator demand;
- alternative use value;
- current passing rent close to or below rental value; and
- long-term demand drivers, including demographics, use of technology or built-for-purpose real estate.

The Group may invest in commercial properties or portfolios of commercial property assets which, in addition, include ancillary or secondary utilisations.

The Group does not intend to spend any more than 5% of the NAV in any rolling twelve month period on (a) the refurbishment of previously occupied space within the existing Portfolio, or (b) the refurbishment of new properties acquired with vacant units.

The Group may invest in corporate and other entities that hold property and the Group may also invest in conjunction with third party investors.

Investment Restrictions

GAV of less than £250 million	GAV of £250 million or greater
Investment in a single property limited to 15% of GAV (measured at the time of investment).	Investment in a single property limited to 10% of GAV (measured at the time of investment).
The value of assets in any sub-sector in one geographical region, at the time of investment, shall not exceed 15% of GAV.	Investments will be made with a view to reducing the maximum exposure to any sub-sector in one geographical region to 10% of GAV.

The value of assets in any one sector and sub-sector, at the time of investment, shall not exceed 50% of GAV and 25% of GAV respectively.

Exposure to a single tenant covenant will be limited to 15% of GAV.

The Group may commit up to a maximum of 10% of its GAV (measured at the commencement of the project) in development activities.

Investment in unoccupied and non-income producing assets will, at the time of investment, not exceed 5% of Estimated Rental Value ('ERV').

The Group will not invest in other closed-ended investment companies.

If the Group invests in derivatives for the purposes of efficient portfolio and cash management, the total notional value of the derivatives at the time of investment will not exceed, in aggregate, 20% of GAV.

The Group will invest and manage its assets with the objective of spreading risk through the above investment restrictions.

When the measure of GAV is used to calculate the restrictions relating to (i) the value of a single property and (ii) the value of assets in any sub-sector in one geographical region, it will reflect an assumption that the Group has drawdown borrowings such that these borrowings are equal to 30% of GAV.

* All references are to an Investment Manager as the previous investment manager, AEW, also previously acted as AIFM at the time of the approval of the Investment Policy.

Borrowings
The Group has utilised borrowings to enhance returns over the medium term. Borrowings have been utilised on a limited recourse basis for each investment on all or part of the total Portfolio and will not exceed 40% of GAV (measured at drawdown) of each relevant investment or of the portfolio.

Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
1. Net Initial Yield ('NIY')		**5.77%**
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 purchasers' costs estimated by the Group's External Valuers.	The NIY is an indicator of the ability of the Company to meet its target dividend after adjusting for the impacts of leverage and deducting operating costs.	At 30 June 2020 (30 June 2019: 4.99%)
2. Weighted Average Unexpired Lease Term ('WAULT') to break and expiry		**19.5 years to break and 21.6 years 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 30 June 2020 (30 June 2019: 20.5 years to break and 22.6 years to expiry)
3. Net Asset Value ('NAV')		**£67.29 million (83.58 pence per share ('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 30 June 2020 (30 June 2019: £76.32 million, 94.81 pps)
4. Dividend		**5.00 pps**
Dividends declared in relation to the period are in line with the stated dividend target as set out in the Prospectus at IPO. The Company targets a dividend of 5.50 pence per Ordinary Share per annum once fully invested and leveraged.	The Company seeks to deliver a sustainable income stream from its portfolio, which it distributes as dividends.	For the year ended 30 June 2020 (30 June 2019: 5.50 pps)
5. Adjusted EPS		**4.25 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	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	For the year ended 30 June 2020 (30 June 2019: 4.86 pps)

by earnings. See Note 8 to the Consolidated Financial Statements.		
6. Leverage (Loan-to-GAV)		**37.0%**
The proportion of the Group's property that is funded by borrowings.	The Group utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 40% of GAV (measured at drawdown).	At 30 June 2020 (30 June 2019: 34.4%)

EPRA Unaudited Performance Measures

Detailed below is a summary table showing the EPRA performance measures in the Company.

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
EPRA NIY		**5.72%**
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 judge themselves, how the valuation of two portfolios compare.	At 30 June 2020 (30 June 2019: 4.98%)
EPRA 'Topped-up' NIY		**6.97%**
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 judge themselves, how the valuation of two portfolios compare.	At 30 June 2020 (30 June 2019: 6.29%)
EPRA NAV		**£67.29 million/83.58 pps**
Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a real estate investment company with a long-term investment strategy.	At 30 June 2019 (30 June 2019: £76.32 million/94.81pps)
EPRA Earnings/EPS		**£4.36 million/5.42 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 30 June 2020 (30 June 2019: £4.41 million/ 5.47pps)
EPRA Vacancy		**0.00%**
Estimated Rental Value ('ERV') of vacant space divided by ERV of the whole portfolio.	A 'pure' percentage measure of investment property space that is vacant, based on ERV.	EPRA Vacancy as at 30 June 2020 (30 June 2019: 0.00%)
EPRA Cost Ratio		**21.1%**
Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	EPRA Cost Ratio for the year ended 30 June 2020. The ratio is the same both including and excluding the vacancy cost. (30 June 2019: 19.2%)

EPRA NNNAV is equal to EPRA NAV as there are no adjusting items. As such this measure has not been presented.

INVESTMENT ADVISER'S REPORT

Introduction

Since our appointment as Investment Adviser on 14 May 2020, we have completed an extensive review of the Company's portfolio and current Investment Policy.

The current 18 assets, following the sale of Wet 'n' Wild on 31 July 2020, provides a long income stream on average in excess of 19 years that is c.89% linked to inflationary growth and provides investors with exposure to a diverse range of alternative market sectors.

The portfolio showed resilience during the COVID-19 pandemic related lockdown. Taking account of concessions granted to certain tenants to settle their rent monthly, the Group's rents are currently split 83% quarterly and 17% monthly. As at today, all of the quarterly rents due on the September 2020 quarter day have been collected, along with all of the monthly rents due, and the remainder of the monthly rents are due by the end of this year. The Group reported on its June and March 2020 rent collections on 13 July and 24 April 2020, respectively. Since these dates, agreements have been reached with all of the Group's tenants whose rents were in arrears. Overall, 92% and 86% of rents, in respect of the June and March quarter dates respectively, have now been collected with agreements in place for the remaining arrears to be received by September 2021.

Investment Principles

The strategy of buying smaller lot sized assets on very long leases is coming under increasing pressure as more buyers enter that market and has resulted in acquisitions that, whilst meeting the Company's Investment Policy, provide only modest returns and limited scope for rental growth or asset management led value enhancement. Indeed, in a constantly changing landscape, many of the key features of investment quality, notably tenant credit, cannot be guaranteed to remain unchanged. Therefore, from a valuation standpoint, M7 believes the demand for very long leases in an increasingly competitive market is expected to lead to further premium pricing and will not necessarily deliver best value for shareholders. A more balanced approach between security of tenure and asset management led opportunity, in sectors that are increasingly benefiting from market shifts, is expected to achieve secure yet more attractive income returns and capital growth.

Although the income from the portfolio, as at 30 June 2020, was c.89% inflation linked to RPI or CPI, this focus limits the investment opportunities available to the Group and potentially limits its growth. As interest rates declined significantly, the demand for inflation linked real estate income increased to the point where potential buyers far outweigh sellers. The momentum towards higher prices for index linked stock is very evident and, when aligned to a tendency amongst landlords to extract longer leases from less creditworthy tenants, has taken pricing to potentially unsustainable levels. These trends have emerged in a market in which a particular cohort of investors, notably open-ended funds, have helped to drive prices upwards.

We believe that a greater emphasis should be placed by the Company on benefiting from a rapidly changing property environment in which the quality, use and flexibility of physical assets are expected to be of paramount importance. We are identifying opportunities at an attractive entry yield that are expected to benefit from the significant and accelerating movement away from high street retail to online shopping, a substantial shift in sentiment in the business space market and changes in the credit environment.

We have identified opportunities for the Group which we believe will deliver higher value and earnings, strong and secure cashflow and contribute to a stable and growing dividend, whilst maintaining a relatively long WAULT.

As a result, we have recommended to the Board amendments to the Investment Policy to allow the Company to reposition the portfolio and take advantage of the opportunities that we believe exist and that we expect will achieve enhanced value for shareholders.

M7 intends, subject to shareholder approval, to focus on assets with shorter, 8-12 year leases and a greater focus on the increasingly dynamic sectors of the UK market, notably the business space and warehouse segments. The proposal is to adjust to a lower WAULT with a minimum of 12 years (from 18 years) and to invest in assets which are currently let at sustainable rents and which have the potential to be adapted over time to changing user preference and behaviour.

Market Outlook

UK Economic Outlook

Following a 'bounce-back' in Q2, the UK economy is now experiencing renewed pressure with rising COVID-19 cases and restrictions which may erase these gains, for example home working, localised lockdowns and the hospitality industry's 10pm curfew may act to further impair economic activity.

As a result, economic growth is forecast to continue its downward trend, resulting in a 9.2% contraction in GDP in 2020. Whilst this is a slower rate of decline than for Q2, GDP is not expected to return to pre-crisis levels until late 2022.

Government stimulus, particularly through the furlough scheme, has been successful in softening the blow, with unemployment and the reduction in UK household income both lower than expected. Despite government support, the crisis is having a material impact on the UK labour market with KPMG forecasting an average unemployment rate of 8.6% in 2020 and 11.0% in 2021.

According to Capital Economics, inflation is set to remain subdued throughout 2020 and 2021, averaging 0.9% and 1.2% respectively. This is well below the Bank of England's target rate of 2.0%. Despite price increases for some goods, the overall impact of the pandemic has been to dampen inflation as the economy declines. There is increased expectation that the Bank of England will intervene by way of further monetary stimulus.

UK Real Estate Outlook

After a strong start to the year, investment activity slowed considerably in Q2 as the impacts of the pandemic took hold in the UK. With lockdown measures imposed, physical inspections and valuations were impossible for long periods, while global travel restrictions severely limited the capacity of international investors to do business. UK investment volumes for H1 totalled £13.8 billion, which represents a 34% reduction on the equivalent period last year and is 38% lower than the 10-year H1 average.

Investment activity is recovering with initial estimates suggesting more than £2 billion of transactional activity in July alone. The all sector prime yield remained stable in June at 5.21%, indicating that some stability is returning to UK property investment.

Industrial, warehouse and regional office markets are expected to suffer the least negative impact from COVID-19, and may even benefit throughout the UK's recovery, which supports the proposed amendments to the Company's investment strategy.

Industrial and logistics continue to be in strong demand, with prices having surpassed their pre-crisis levels. The sector has benefited from strong demand fundamentals driven by the accelerated growth of e-commerce. The sector accounted for a record 23% share of total Q2 investment volume, of which 85% was distribution warehousing. Investor and occupier demand in the sector is largely attributed to the stability of rents and continued operations.

The regional office markets are characterised by a supply-demand imbalance with vacancy rates reaching a near historic low of 4.5% in H1, compared to a 10-year average of 8.0%. Many speculative developments have suffered delays caused by the COVID-19 crisis, further exacerbating an already constrained pipeline. As a result, the regional office markets have seen sustained rental growth, with annual growth of 6.7% and 4.3% seen in Leeds and Bristol respectively. Prime rental growth is expected to return in 2021, with 2.0% pa forecast over the next five years across the major regional markets.

Portfolio Activity during the Year

The following asset management initiatives were undertaken during the year:

- **Rent Reviews:** A total of eight rent reviews took place during the period with a combined uplift of £52,564 representing a 2.1% increase in contracted rent across the portfolio.
- **Wet 'n' Wild Water Park, North Shields:** The tenant Serco Leisure Operating Ltd approached the Company with an offer to purchase the property and after negotiations took place it was agreed that the property would be sold for £3,204,500 (including rent premium of £204,500) which completed at the end of June 2020. The disposal represented a 9.7% uplift on purchase price and a 12.4% premium on book value.
- **Travelodge, Swindon:** Travelodge Hotels Limited filed for a CVA and creditor and shareholder meetings were held on 19 June 2020 with landlords voting in favour of the proposal. Under the CVA, Travelodge Swindon is a Category B hotel and as such 25% of the Q2, Q3 and Q4 2020 rent and 70% of the 2021 rent will be payable. The CVA also provides a landlord break on 30 days' notice within the first five months with an option to extend the lease for a further 36 months. In addition, the Company Group will be entitled to additional cash rental payments should Travelodge exceed a baseline profitability being 66.7% of the amount by which cumulative adjusted EBITDA for the financial years 2020, 2021 and 2022 exceeds £200 million. Work started in September 2020 to replace the combustible cladding elements uncovered on the external walls of the top floors and rear lift core of the Travelodge Hotel, with non-combustible replacements and to remediate the fire/smoke stopping. Completion of the work is expected by December 2020 at a cost (including professional fees) of c.£1.2 million. The cladding was installed when the property was extended in 2007 and both the architect and cladding sub-contractor involved are being pursued for reimbursement of the costs.

Financial Results

Net rental income earned from the portfolio for the year was £7.35 million excluding service charge and direct recharge (1 July 2018 to 30 June 2019: £6.91 million), contributing to an operating profit before fair value changes of £5.80 million (1 July 2018 to 30 June 2019: £5.58 million).

The portfolio has seen a loss of £9.41 million (the fair value decrease includes accounting adjustments relating to rent smoothing of (£1.28 million), movement in finance lease obligation of (£0.05 million) and a cost correction of £0.14 million) in fair value of investment property during the year (1 July 2018 to 30 June 2019: loss of £0.17 million).

Administrative and property operations expenses, which include the Investment Manager's fee up to 9 April 2020 and other costs attributable to the running of the Group, were £1.55 million for the year excluding service and direct recharges (1 July 2018 to 30 June 2019: £1.33 million). Nevertheless, a reduction in overhead of almost 50% on an annualised basis was achieved during the final quarter of the year ended 30 June 2020, after excluding the impairments and provisions required at the year end and the one-off costs arising out of the transfer to new service providers. Ongoing charges as a percentage of net asset value for the year were 2.22% (1 July 2018 to 30 June 2019: 1.53%).

The Group incurred finance costs of £1.44 million during the year (1 July 2018 to 30 June 2019: £1.17 million). This increase results from having the loan fully drawn in during the whole year (year ended 30 June 2019: £11 million drawn down in January 2019).

The total loss before tax for the year of £5.05 million (1 July 2018 to 30 June 2019: profit before tax of £4.23 million) equates to a basic loss per share of 6.27 pence (year ended 30 June 2019: EPS of 5.26 pence).

EPRA EPS for the year was 5.42 pence which, based on dividends declared of 5.00 pence, reflects a dividend cover of 108.4% (year ended 30 June 2019: EPRA earnings of 5.47 pence, dividends declared of 5.50 pence and dividend cover of 99.5%).

Adjusted EPRA EPS for the year which equates to cash generated from operations (and therefore excludes movements in accrued rent debtors and the amortisation of loan arrangement fees) were 4.25 pence which, based on dividends declared of 5.00 pence, reflect a dividend cover of 85.0% (1 July 2018 to 30 June 2019: Adjusted earnings per share of 4.86 pence, dividends declared of 5.50 pence and dividend cover of 88.4%).

The Group's NAV as at 30 June 2020 was £67.29 million or 83.58 pps (1 July 2018 to 30 June 2019: £76.32 million or 94.81 pps). This is a decrease of 11.22 pps or 11.84% over the year, with the underlying movement in NAV set out in the table below:

	Year ended 30 June 2020		Year ended 30 June 2019	
	Pence per share	**£ million**	**Pence per share**	**£ million**
NAV as at beginning of year/period	94.810	76.321	94.935	76.422
Portfolio acquisition costs	-	-	(1.125)	(0.906)
Change in fair value of investment property	(11.691)	(9.411)	0.909	0.732
Income earned for the year	9.702	7.810	8.580	6.907
Finance costs for the year	(1.791)	(1.442)	(1.458)	(1.174)
Other expenses for the year	(2.494)	(2.007)	(1.656)	(1.333)
Dividends paid during the year	(4.950)	(3.985)	(5.375)	(4.327)
NAV as at the end of the year	**83.586**	**67.286**	**94.810**	**76.321**

Reduction in valuation due to COVID-19

There has been an overall 3.7% decrease in fair value of the portfolio since the 31 March 2020 valuation. The properties in the hotel, leisure and automotive sectors have suffered a more significant reduction in valuation, predominantly due to COVID-19 and the knock-on effects on trading performance.

Dividends

Refer to Note 9 of the Consolidated Financial Statements for details.

Financing

As at 30 June 2020, the Group had fully utilised its £41 million loan facility with Canada Life Investments (30 June 2019: £41 million facility fully utilised). This term facility, which is repayable on 20 October 2025, allows up to 35% loan to property value at drawdown and is provided on a portfolio basis and has a loan to value covenant of 60%.

The weighted average interest cost of the Group's £41 million facility is 3.19% (2019: 3.19%).

Summary by Sector as at 30 June 2020

Gross

Sector	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Passing Rental Income (£m)	ERV (£m)	(%)
Industrial	4	21.50	21	100	25.5	1.49	1.44	21
Hotel	3	19.15	18	100	15.9	1.48	1.43	21
Automotive & Petroleum	3	17.85	17	100	12.0	1.13	1.10	17
Healthcare	3	18.28	17	100	28.5	1.07	1.10	16
Student Accommodation	1	12.15	12	100	21.1	0.64	0.65	10
Leisure	3	8.65	8	100	12.7	0.57	0.58	9
Power Station	1	5.15	5	100	11.7	0.30	0.30	4
Education	1	2.03	2	100	23.6	0.13	0.13	2
Total/Average	**19**	**104.76**	**100**	**100**	**19.5**	**6.79**	**6.73**	**100**

Summary by Geographical Area as at 30 June 2020

Geographical Area	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)	(%)
West Midlands	3	21.90	21	100	16.3	1.41	1.42	21
North West & Merseyside	2	21.50	20	100	37.2	1.20	1.17	17
South East excluding			17					16
London	4	17.93		100	12.6	1.07	1.06	
Yorkshire and Humberside	3	11.63	11	100	13.3	0.79	0.80	12
South West	2	10.90	10	100	24.7	0.79	0.81	12
Scotland	1	7.10	7	100	16.2	0.66	0.59	9
London	2	5.80	6	100	9.3	0.37	0.39	6
Eastern	1	5.15	5	100	11.7	0.30	0.30	4
North East	1	2.85	3	100	18.9	0.20	0.19	3
Total/Average	**19**	**104.76**	**100**	**100**	**19.5**	**6.79**	**6.73**	**100**

Income Allocation by Type

Inflation linked - RPI	66.3%
Open Market Value Reviews	11.4%
Inflation linked - CPI	22.3%

Property Portfolio

Property Portfolio as at 30 June 2020

Property	Sector	Region	Market Value (£m)
1. Bramall Court, Salford	Student Accommodation	The North West & Merseyside	12.15
2. Pocket Nook Industrial Estate, St Helens	Industrial	The North West & Merseyside	9.35
3. Motorpoint, Birmingham	Automotive & Petroleum	West Midlands	8.15
4. Premier Inn, Camberley	Hotel	Rest of South East	7.95
5. Mercure City Hotel, Glasgow	Hotel	Scotland	7.10
6. Prime Life Care Home, Solihull	Healthcare	West Midlands	6.95
7. Grazebrook Industrial Estate, Dudley	Industrial	West Midlands	6.80
8. Silver Trees, Bristol	Healthcare	South West	6.80
9. Trident Business Park, Huddersfield	Automotive & Petroleum	Yorkshire and the Humber	5.50
10. Hoddesdon Energy, Hoddesdon	Power Station	Eastern	5.15
11. Prime Life Care Home, Brough	Healthcare	Yorkshire and the Humber	4.53
12. Applegreen Petrol Station, Crawley	Automotive & Petroleum	Rest of South East	4.20
13. Travelodge, Swindon	Hotel	South West	4.10
14. Pure Gym, London	Leisure	London	3.85
15. Dolphin Park, Sittingbourne	Industrial	Rest of South East	3.75
16. Wet n' Wild Water Park, North Shields	Leisure	North East	2.85
17. Victoria Road, Southampton	Education	Rest of South East	2.03
18. Snap Fitness, London	Leisure	London	1.95
19. Provincial Park, Sheffield	Industrial	Yorkshire and the Humber	1.60

Tenants as at 30 June 2020

Tenant	Property	Annual Contracted Rental Income (£ '000)	% of Portfolio Total Passing Rental Income	Expiry date	Break date
Meridian Steel Limited	Grazebrook Industrial Estate, Dudley	659	9.7	21/05/2027	-
Jupiter Hotels Limited	Mercure City Hotel, Glasgow	658	9.7	23/08/2036	-
Prime Life Limited	Prime Life Care Home, Solihull	651	9.6	21/11/2048	-
Mears Group Plc	Bramall Court, Salford	636	9.4	16/08/2041	-
Motorpoint Limited	Motorpoint, Birmingham	500	7.4	23/06/2037	-
Premier Inn Hotels Limited	Premier Inn, Camberley	449	6.6	24/03/2037	25/03/2032
Handsale Limited	Silver Trees, Bristol	417	6.1	14/01/2049	-
Volkswagen Group United Kingdom Limited	Trident Business Park, Huddersfield	396	5.8	13/07/2025	-
Travelodge Hotels Limited	Travelodge, Swindon	350*	5.2	31/05/2041	-
Hoddesdon Energy Limited	Hoddesdon Energy, Hoddesdon	300	4.4	26/02/2050	27/02/2032
Biffa Waste Services Limited	Pocket Nook Industrial Estate, St Helens	267	3.9	31/03/2134	-
Dore Metal Services Southern Limited	Dolphin Park, Sittingbourne	262	3.9	12/09/2033	13/09/2028
Pure Gym Limited	Pure Gym, London	236	3.5	10/12/2032	11/12/2027
Petrogas Group UK Limited	Applegreen Petrol Station, Crawley	234	3.4	16/07/2033	-
Serco Leisure Operating Limited	Wet n' Wild Water Park, North Shields	200	2.9	12/05/2039	-
Sec. of State for Communities & Local Gov'mt	Pocket Nook Industrial Estate, St Helens	154	2.3	29/01/2048	30/01/2023
MSG Life Realty Limited	Snap Fitness, London	130	1.9	28/03/2033	-
YMCA Fairthorne Group	Victoria Road, Southampton	130	1.9	17/02/2044	-
Boulting Group Limited	Pocket Nook Industrial Estate, St Helens	123	1.8	04/04/2022	-
The Salvation Army Trustee Company	Travelodge, Swindon	22	0.3	17/07/2032	-
Mr Tox Recovery Specialist Limited	Pocket Nook Industrial Estate, St Helens	20	0.3	04/12/2033	05/12/2028

* For period March 2020 to December 2020 the rent is at £87,500pa; £245,000pa for 1 January 2021 to 31 December 2021; and £350,000pa from 1 January 2022

EXTRACTS FROM DIRECTORS' REPORT

Going Concern
The Group has considered its cash flows, financial position, liquidity position and borrowing facilities.

The Group's unrestricted cash balance as at 30 June 2020 was £2.29 million, of which £1.9 million was readily available for potential investments. As at 30 June 2020, the Group had headroom against its borrowing covenants. The Group is permitted to utilise up to 40% of GAV measured at drawdown with a Loan to GAV of 37.0% as at 30 June 2020.

A 'severe but plausible downside' scenario has also been projected. While rent collections have been strong, this scenario anticipates further rent deferrals and write-offs where tenants would have difficulty paying rents from operational cashflows. In this scenario the Group still has adequate headroom against the interest cover covenant and positive cash balances. Further detail of the assumptions made in assessing the adaption of Group's going concern basis can be found in Note 2.4.

The Group benefits from a secure, diversified income stream from leases which are not overly reliant on any one tenant or sector. As a result, the Directors believe that the Group is well placed to manage its financing and other business risks. The Directors believe that there are currently no material uncertainties in relation to the Group's and Company's ability to continue for a period of at least 12 months from the date of these financial statements. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

Viability Statement
In accordance with provision 30 of the UK Code, the Directors have assessed the prospects of the Group over a period longer than the 12 months required by the 'Going Concern' provisions. The Board has considered the nature of the Group's assets and liabilities and associated cash flows and has determined that three years, up to 30 June 2023, 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 5.3 years.
2. The Group's property portfolio had a WAULT to break of 19.5 years and a WAULT to expiry of 21.6 years as at 30 June 2020, representing a secure income stream for the period under consideration.
3. A major proportion of the leases contain an annual, three or five year rent review patterns and therefore three years allow for the forecasts to include the reversion arising from most rent reviews.

The three year review considers the Company's cash flows, dividend cover, REIT compliance and other key financial ratios 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 COVID-19 pandemic, 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 assets 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:

- The anticipated level of rents deferred or written off due to the impact of the COVID-19 pandemic;
- Tenant default;
- Dividend payments; and
- Property portfolio valuation movements.

Based on the prudent assumptions within the Company's forecasts regarding rent deferrals, 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 30 September 2020, the asset valuations and rental income of the 16 properties (following the sale of the Wet 'n' Wild Water Park) secured to Canada Life would have needed to fall by 32% and 33% respectively before breaching the Loan to Value and Income Cover covenants respectively;
- 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.

Management Arrangements
Langham Hall Fund Management LLP was appointed as the Group's AIFM effective 9 April 2020, and the terms of the AIFM Agreement are set out on page 50. M7 was appointed as Investment Adviser effective 14 May 2020, and M7's role is to provide the Company with advice, support and services including strategy, debt advisory, reporting, fund accounting and investment advisory services together with asset management, operational advice, budgeting and planning for the Group's portfolio. M7 also has delegated authority to act within defined parameters and where decisions outside pre-approved criteria are required, specific approval will be agreed with the Company. Further details can be found in Note 20 of the Group's Consolidated Financial Statements. Between 9 April 2020 and 14 May 2020, Mason Owen and Partners Limited acted as the Investment Adviser.

Prior to 9 April, AEW UK Investment Management LLP was the Group's Investment Manager and details of its appointment are set out in Note 21 of the Group's Consolidated Financial Statements.

Financial Risk Management
The financial risk management objectives and policies can be found in Note 19 to the Consolidated Financial Statements.

Share Capital
At 30 June 2020, and as at the date of this report, there are 80,500,000 Ordinary Shares in issue, none of which are held in treasury.

Purchase of Own Shares
At the Company's AGM on 5 November 2019, the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares in issue. No shares have been bought back under this authority during the year, which expires at the conclusion of the Company's 2020 AGM. A resolution to renew the Company's authority to purchase (either for cancellation or for placing into Treasury) up to 12,066,950 Ordinary Shares (being 14.99% of the issued Ordinary Share capital as at the date of this report), will be put to shareholders at the 2020 AGM. Any purchase will be made in the market and prices will be in accordance with the terms laid out in the Notice of AGM (enclosed separately and available on the Company's website). The authority will be used where the Directors consider it to be in the best interests of shareholders.

Change of Control
Under the Group's financing facilities, any change of control at the borrower or parent company level may trigger a repayment of the outstanding amounts to the lending banks. The Directors do not receive compensation for loss of office occurring due to a change of control.

Income entitlement
The profits of the Company available for distribution and determined to be distributed shall be distributed by way of interim or final dividends among the holders of Ordinary Shares.

Capital entitlement
After meeting the liabilities of the Company on a winding-up, the surplus capital and assets shall be paid to the holders of Ordinary Shares and distributed among such holders pro rata according to the nominal capital paid up on their holdings of Ordinary Shares.

Voting entitlement
Each shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary Share held. The Notice of AGM and Form of Proxy stipulate the deadlines for the valid exercise of voting rights and, other than with regard to Directors not being permitted to vote their Ordinary Shares on matters in which they have an interest.

There are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Requirements of the Listing Rules
Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

Statement of Directors' Responsibilities in respect of the Annual Report and the Consolidated Financial Statements
The Directors are responsible for preparing the Annual Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU subject to any material departures disclosed and explained in the financial statements;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company, or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and the Consolidated Financial Statements
We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- We consider the Annual Report and the Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Steve Smith
Chairman
19 October 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Notes	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Income			
Rental and other income	3	7,810	6,907
Property operating expense	4	(515)	(162)
Net rental and other income		7,295	6,745
Other operating expenses	4	(1,492)	(1,164)
Operating profit before fair value changes		5,803	5,581
Change in fair value of investment properties*	10	(9,411)	(174)
Operating (loss)/ profit		(3,608)	5,407
Finance expense	6	(1,442)	(1,174)
(Loss)/ profit before tax		**(5,050)**	**4,233**
Taxation	7	-	-
(Loss)/ profit after tax		(5,050)	4,233
Other comprehensive income		-	-
Total comprehensive (loss)/profit for the year		(5,050)	4,233
(Loss)/earnings per share (pence per share) (basic and diluted)	8	**(6.27)**	**5.26**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	30 June 2020 £'000	30 June 2019 £'000
Assets			
Non-current Assets			
Investment property	10	100,273	112,562
		100,273	112,562
Current Assets			
Receivables and prepayments	11	5,417	1,154
Cash and cash equivalents		2,288	5,519
		7,705	6,673
Non-current assets held for sale	16	2,734	-
Total Assets		**110,712**	**119,235**
Non-current Liabilities:			
Interest bearing loans and borrowings	13	40,417	40,314
Lease obligations	14	373	482
		40,790	**40,796**
Current Liabilities			
Payables and accrued expenses	12	2,595	2,083
Lease obligations	14	41	35
		2,636	**2,118**
Total Liabilities		**43,426**	**42,914**
Net Assets		**67,286**	**76,321**
Equity			
Share capital	18	805	805
Capital reserve and retained earnings		66,481	75,516
Total capital and reserves attributable to equity holders of the Group		**67,286**	**76,321**

Net Asset Value per share (pence per share)	8	**83.58**	**94.81**

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

The financial statements were approved by the Board of Directors on 19 October 2020 and were signed on its behalf by:

Steve Smith
Chairman

Company number:
10727886

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Notes	Share capital £'000	Share premium account £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to equity holders of the Group £'000
For the year ended 30 June 2020					
Balance as at 1 July 2019		805	-	75,516	76,321
Total comprehensive loss		-	-	(5,050)	(5,050)
Dividends paid	9	-	-	(3,985)	(3,985)
Balance as at 30 June 2020		805	-	66,481	67,286
For the year ended 30 June 2019					
Balance as at 1 July 2018		805	-	75,617	76,422
Total comprehensive income		-	-	4,233	4,233
Share issue costs		-	-	(7)	(7)
Dividends paid	9	-	-	(4,327)	(4,327)
Balance as at 30 June 2019		805	-	75,516	76,321

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

	Year ended 30 June 2020 £ '000	Year ended 30 June 2019 £ '000
Cash flows from operating activities		
(Loss)/profit after tax	(5,050)	4,233
Adjustment for non-cash items		
Finance expenses	1,442	1,174
Loss from change in fair value of investment property	9,411	174
(Increase)/decrease in other receivables and prepayments	(4,262)	280
Increase/(decrease) in other payables and accrued expenses	694	(482)
Net cash flow generated from operating activities	**2,235**	**5,379**
Cash flows from investing activities		
Purchase of investment properties	-	(13,276)
Net cash used in investing activities	**-**	**(13,276)**
Cash flows from financing activities		
Share issue costs	-	(7)
Loan draw down	-	11,000
Release of restricted cash	-	1,362
Loan arrangement fees	-	(210)
Finance costs paid	(1,435)	(1,012)
Dividends paid	(4,031)	(4,311)
Net cash (used in)/generated from financing activities	**(5,466)**	**6,822**
Net decrease in cash and cash equivalents	(3,231)	(1,075)
Cash and cash equivalents at start of period	5,519	6,594
Cash and cash equivalents at end of period	**2,288**	**5,519**

NOTES TO THE CONSOLIDATED ACCOUNTS

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

1. Corporate information

The Company is a public limited company and a closed ended Real Estate Investment Trust ('REIT') incorporated on 18 April 2017 and domiciled in the UK and is registered in England and Wales. The registered office of the Company is located at 1 King William Street, London, United Kingdom, EC4N 7AF.

The Company changed its name from AEW UK Long Lease REIT Plc to Alternative Income REIT Plc during the year.

The Company's Ordinary Shares were listed on the Official List of the FCA and admitted to trading on the Main Market of the London Stock Exchange on 6 June 2017.

The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 25.

2. Accounting policies

2.1 Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 June 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did include an emphasis of matter regarding the uncertain valuation of 15 of the investment properties (amounting to a value of £83 million) but without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These Consolidated Financial Statements are prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Accounting Standards Board ('IASB') as adopted by the European Union ('EU IFRS').

These Consolidated Financial Statements have been prepared under the historical-cost convention, except for investment property that has been measured at fair value.

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

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of Alternative Income REIT Plc and its subsidiaries (the 'Group'). Subsidiaries are entities controlled by the Company, being Alternative Income Limited (previously known as AEW UK Long Lease REIT 2017 Limited) and Alternative Income REIT Holdco Limited (previously known as AEW UK Long Lease REIT Holdco Limited).

New standards, amendments and interpretations

The following new standards and amendments to existing standards have been published and approved by the EU. The Group has applied the following standards from 1 July 2019, with the year ended 30 June 2020 being the first year end reported under the standards:

IFRS 16 Leases. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leasing arrangements. The new standard results in almost all leases held as lessee being recognised on the balance sheet, as the distinction between operating and finance leases is removed. However, IFRS 16 has not impacted operating leases held by the Group where the Group is lessor.

Upon adoption of IFRS 16, the accounting treatment of leases previously classified as finance leases (including ground leases classified as investment property) remained unchanged and there have been no measurement changes to the finance lease liability or the leased asset. A reconciliation of the presentation under IFRS 16 versus IAS 17 has not been presented, as there was an immaterial impact on the net assets. There were no new lease liabilities arising during the year.

Accordingly, comparative amounts have not been restated.

The following have also been considered, but have had no impact on the Group for the reporting period:
- IFRIC 23, Uncertainty over Income Tax Treatments
- Amendments to IAS 28 Long Term Interests in Associates and Joint Ventures; and
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement.

The following new standards and amendments to existing standards have been published and approved by the EU, and are mandatory for the Group's accounting periods beginning after 1 April 2020 or later periods:

- Definition of Material - amendments to IAS 1 and IAS 8;
- Annual improvements to IFRS 2015-2017 Cycle: amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs;
- IFRS 17 - Insurance Contracts; and
- Revised Conceptual Framework for financial reporting. The IASB has issued a revised
- Conceptual Framework for future standard setting decisions. No changes will be made to any of the current standards.

The Group does not expect the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements.

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with EU IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

There are not considered to be any judgements which have a significant effect on the amounts recognised in the consolidated financial information.

Estimates

In the process of applying the Group's accounting policies, management has made the following estimates, which have a significant effect on the amounts recognised in the consolidated financial information:

Valuation of 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. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques, applying the principles of both IAS 40 and IFRS13.

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Global Standard January 2020. Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in note 10.

2.3 Segmental information

Each property 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 three Directors. The review process for segmental information includes the monitoring of key performance indicators applicable across all properties. These key performance indicators include Gross Passing Rental Income, WAULT to break in years and valuation of properties. All asset cost and rental allocations are reported by property too. The internal financial reports received by the Directors cover the group and all its properties and do not differ from amounts reported in the financial statements. The Directors have considered that each property has similar economic characteristics and have therefore aggregated the portfolio into one reportable segment under the provisions of IFRS 8.

2.4 Going concern

In assessing the Group's going concern assumptions, the Directors have particularly considered the impact of the COVID-19 pandemic on the performance of the business.

The Directors have therefore projected the Group's cash flows for the period up to 31 December 2021, challenging and sensitising inputs and assumptions to ensure that the cash forecast reflects a realistic outcome given the uncertainties associated with the current economic environment.

The Directors note that the Group's main financing of £41m does not mature until 2025 and the Group has reported full compliance with its loan covenants to date. Based on the current cash flow projections, the directors expect to continue to remain compliant with the covenants.

The Directors also note that the headroom of the loan to value covenant is significant and any fall in property values that caused a breach would be significantly more than any currently envisaged.

A 'severe, but plausible, downside' scenario has also been projected. While rent collections have been strong, this scenario anticipates further rent deferrals and write-offs where tenants would have difficulty paying rents.

- The Directors have assumed a rent collection of 80% from Q3 2020 to Q4 2020, decreasing to 70% in Q1 2021 and 60% in Q2 2021, and recovering to 70% in Q3 2021 and then to 80% in Q4 2021.
- In such a scenario, the assumption is that 50% of these rent deferrals would be written off, with the remainder repaid over the course of 5 years from Q4 2021. This is in addition to any existing agreements already made with tenants.

In this scenario the Group still has adequate headroom against the interest cover covenant and positive cash balances.

Having assessed the heightened 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 the foreseeable future.

Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2.5 Summary of significant accounting policies

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

a) Presentation currency

These Consolidated Financial Statements are presented in Sterling, which is the functional and presentational currency of the Company and its subsidiary undertakings. The functional currency of the Company 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

Rental income under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income, which is recognised when it arises. For leases, which contain fixed or minimum uplifts, the rental income arising from such uplifts is recognised on a straight-line basis over the lease term.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. 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.

Lease modifications, such as lease extensions and rent reductions, are accounted for in one of two ways:

- It is treated as a separate lease
- It is not treated as a separate lease

A modification will only be treated as a separate lease if it involves the addition of one or more underlying assets at a price that is commensurate with the standalone price of the increase in scope. All other modifications are not treated as a separate lease.

If a modification is a separate lease, a lessee applies the requirements of IFRS 16 to the newly added asset, due as a result of the modification, independently of the original lease. The accounting for the original lease continues unchanged.

If a modification is not a separate lease, the accounting reflects that there is a linkage between the original lease and the modified lease. The existing lease liability is remeasured with a corresponding adjustment to the right-of-use asset on the effective date of the modification.

ii) Service charges and direct recharges

Revenue from service charges is recognised 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.

iii) Deferred income

Deferred income is rental income received in respect of future accounting periods.

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

Property is classified as investment property when it is held to earn rentals or for capital appreciation or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes and professional fees to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the replacement of that part will prolong or improve the life of the asset.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in profit or loss.

Investment properties are valued by the external valuer. Any valuation of an Immovable by the external valuer must be undertaken in accordance with the current issue of RICS Valuation - Professional Standards (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 cash flows.

For the purposes of these Consolidated Financial Statements, the assessed fair value is:

• reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives; and
• increased by the carrying amount of leasehold obligations.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected after its disposal or withdrawal.

The profit on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period. Any gains or losses on the retirement or disposal of investment property are recognised in profit or loss in the year of retirement or disposal.

e) Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and short-term deposits with an original maturity of three months or less.

f) Receivables and prepayments

Rent and other receivables are initially recognised at fair value and subsequently at amortised cost. Impairment provisions are recognised based upon an expected credit loss model. The Group has made an assessment of expected credit losses at each period end, using the simplified approach where a lifetime expected loss allowance is always recognised over the expected life of the financial instrument. Any adjustment is recognised in profit or loss as an impairment gain or loss.

g) Other payables and accrued expenses

Other payables and accrued expenses are initially recognised at fair value and subsequently held at amortised cost.

h) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are amortised over the lifetime of the facilities through profit or loss.

i) Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

j) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable.

k) 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.

l) Lease obligations

Lease obligations relate to the head rent of investment property and are capitalised at the lease commencement, at the lower of fair value of the property and present value of the minimum lease payments and held as a liability within the Consolidated Statement of Financial Position. The lease payments are discounted using the interest rate implicit in the lease. Where the group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

m) Taxes

Corporation tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax that is provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the period end date.

n) Leases - group as lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (2.5b). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The Group recognises lease income for variable payment that depends on an index or a rate on a straight line basis.

o) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Investment properties classified as such are still measured at fair value.

p) European Public Real Estate Association

The Group has adopted European Public Real Estate Association ('EPRA') best practice recommendations, which it expects to broaden the range of potential institutional investors able to invest in the Company's Ordinary Shares. For the year ended 30 June 2020, audited EPS and NAV calculations under EPRA's methodology are included in note 8 and further unaudited measures are included below.

q) Capital and reserves

Share capital

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

Share premium

Share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions.

Capital reserve

The capital reserve is a distributable reserve and represents the cancelled share premium less dividends paid from this reserve.

Retained earnings

Retained earnings represent the profits of the Group less dividends paid from revenue profits to date. Unrealised losses on the revaluation of investment properties in the amount of £6,590,492 loss (2019: £608,406 gain) contained within this reserve are not distributable until they crystallise on the sale of the investment property.

3. Rental and other income

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Gross rental income	6,073	6,321
Service charges and direct recharges* (see note 4)	459	-

Spreading of tenant incentives - rent indexation	720	531
Spreading of tenant incentives - rent free periods	558	54
Other property income	-	1
Total rental and other income	**7,810**	**6,907**

All rental, service charge and direct recharge and other income is derived from the United Kingdom.

*The directors have reviewed the underlying agreements and determined that the Company 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 financial statements. Please refer to note 4 for the relevant expense incurred during the year. In 2019, service charges and direct recharges were presented net, however these figures have not been restated as they were not material.

4. Expenses

	Year ended 30 June 2020 £'000	**Year ended 30 June 2019 £'000**
Property operating expenses	56	162
Service charges and direct recharges (see note 3)	459	-
	515	**162**
Other operating expenses		
Investment management fee	408	544
Auditor remuneration	120	110
Provision for impairment of trade receivables	213	-
Operating costs	550	431
Directors' remuneration (note 5)	94	79
Write off of unreconciled difference - see page 31	107	-
Total other operating expenses	**1,492**	**1,164**
Total operating expenses	**2,007**	**1,326**
Audit		
Statutory audit of Annual Report and Accounts	105	72
Statutory audit of Subsidiary Accounts	15	12
Total fees paid to KPMG LLP	**120**	**84**

KPMG LLP have not provided any non-audit services to the Group.

5. Directors' remuneration

	Year ended 30 June 2020 £'000	**Year ended 30 June 2019 £'000**
Directors' fees	90	75
Tax and social security	4	4
Total fees	**94**	**79**

A summary of the Director's remuneration is set out in the Directors' Remuneration Report on pages 40 to 42.

The Group had no employees during the period.

6. Finance expenses

	Year ended 30 June 2020 £'000	**Year ended 30 June 2019 £'000**
Interest payable on loan	1,315	1,083
Amortisation of loan arrangement fee (note 13)	124	90
Other finance costs	3	1
Total	**1,442**	**1,174**

7. Taxation

	Year ended 30 June 2020 £'000	**Year ended 30 June 2019 £'000**
Tax charge comprises:		
Analysis of tax charge in the period		
(Loss)/ profit before tax	(5,050)	4,233
Theoretical (tax credit)/tax at UK corporation tax standard rate of 19.00% (2019: 19.00%)	(960)	804
Adjusted for tax exempt items under the REIT regime:		
Reduction in value of investment properties	1,788	33
Other net income	(828)	(837)
Total	**-**	**-**

The Group obtained REIT status on 13 October 2017, at which point the Corporation Tax on any gains or losses arising from property business have been extinguished. As such, no deferred tax asset or liability has been recognised in the current period.

Factors that may affect future tax charges

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 or losses arising on the revaluation or disposal of investments.

8. (Loss)/ earnings per share and NAV per share

	Year ended 30 June 2020	**Year ended 30 June 2019**
(Loss)/ earnings per share:		

Total comprehensive (loss)/ profit (£'000)	(5,050)	4,233
Weighted average number of shares (Number)	80,500,000	80,500,000
(Loss)/earnings per share (basic and diluted) (pence)	**(6.27)**	**5.26**
EPRA EPS:		
Total comprehensive (loss)/profit (£'000)	(5,050)	4,233
Adjustment to total comprehensive (loss)/profit:		
Change in fair value of investment properties (£'000)	9,411	174
EPRA earnings (basic and diluted) (£'000)	**4,361**	**4,407**
EPRA EPS (basic and diluted) (pence)	**5.42**	**5.47**
Adjusted EPS:		
EPRA earnings (basic and diluted) (£'000)	4,361	4,407
Adjustments:		
Rental income recognised in respect of guaranteed fixed rental uplifts (£'000)	(720)	(531)
Rental income recognised in respect of rent free periods rent free periods (£'000)	(558)	(54)
Amortisation of loan arrangement fee (£'000)	124	90
Provision for impairment of trade receivables (£'000)	213	-
Adjusted earnings (basic and diluted) (£'000)	3,420	3,912
Adjusted EPS (basic and diluted) (pence)*	**4.25**	**4.86**
NAV per share:		
Net assets (£'000)	67,286	76,321
Ordinary Shares (Number)	80,500,000	80,500,000
NAV per share (pence)	**83.58**	**94.81**

* Adjusted EPS is a measure used by the Board to assess the level of the Group's dividend payments. This metric adjusts EPRA earnings for non-cash items in arriving at an adjusted EPS as supported by cash flows.

Earnings per share are calculated by dividing (loss)/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. EPRA NAV and EPRA NNNAV (refer to Glossary) are equal to the NAV presented in the Consolidated Statement of Financial Position under IFRS and there are no adjusting items. Accordingly, a reconciliation between these measures has not been presented.

9. Dividends paid

	Year ended 30 June 2020	**Year ended 30 June 2019**
	£'000	**£'000**
Fourth interim dividend declared and paid in respect of the quarter ended 30 June 2019 at 1.375p per Ordinary Share (2019: quarter ended 30 June 2018 at 1.25p per Ordinary Share*)	1,107	1,006
First interim dividend declared and paid in respect of the quarter ended 30 September 2019 at 1.375p per Ordinary Share (2019: quarter ended 30 September 2018 at 1.375p per Ordinary Share)	1,107	1,107
Second interim dividend declared and paid in respect of the quarter ended 31 December 2019 at 1.375p per Ordinary Share (2019: quarter ended 31 December 2018 at 1.375p per Ordinary Share)	1,107	1,107
Third interim dividend declared and paid in respect of the quarter ended 31 March 2020 at 0.825p per Ordinary Share (2019: quarter ended 31 March 2019 at 1.375p per Ordinary Share)	664	1,107
Total dividends declared and paid during the year**	**3,985**	**4,327**
Fourth interim dividend declared in respect of the quarter ended 30 June 2019 at 1.375p per Ordinary Shares (2019: quarter ended 30 June 2018 at 1.25p per Ordinary Share*)	(1,107)	(1,006)
Fourth interim dividend declared in respect of the quarter ended 30 June 2020 at 1.425p per Ordinary Share*	1,147	1,107
Total dividends in respect of the year	**4,025**	**4,428**

* Dividends declared after the year end are not included in the Consolidated Financial Statements as a liability.

** Dividends paid per cash flow statement amount to £4,031 (£'000) due to additional dividend withholding tax paid.

10. Investments

10.1) Investment property

		30 June 2020		**30 June 2019**
	Investment properties freehold	**Investment properties leasehold**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
UK Investment property				
At the beginning of the year	94,280	18,710	112,990	99,090
Adjustment on cost*	(143)	-	(143)	13,489
Revaluation of investment property	(7,007)	(1,080)	(8,087)	411
Non-current asset held for sale (note 16)	-	(2,850)	(2,850)	-
Valuation provided by Knight Frank LLP	**87,130**	**14,780**	**101,910**	**112,990**

*The adjustment on cost relates to the reversal of a provision raised in the prior year as well as a correction to the cost of one of the properties.

Adjustment to fair value for rent smoothing	(2,224)	(945)
Reclassification to Non-current asset held for sale (note 16)	116	-
Adjustment for lease obligations	471	517
Total investment property	**100,273**	**112,562**

Change in fair value of Investment property

Change in fair value before adjustments for lease incentives and lease obligations	(8,087)	411
Movement in lease obligations	(46)	-
Adjustment to fair value for rent smoothing of lease income	(1,278)	(585)
	(9,411)	**(174)**

Valuation of investment property

Valuation of investment property is performed by Knight Frank LLP, 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 valuation of the Group's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation - Professional Standards (incorporating the International Valuation Standards).

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.

A 'material valuation uncertainty' clause, per VPGA 10 of the RICS Valuation - Global Standards has been added to the valuation performed as at 30 June 2020. This is as a result of the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on 11th March 2020, which has impacted global financial markets. This valuation uncertainty applies to all properties within the group except for:

- Grazebrook Industrial Estate, Dudley
- Provincial Park, Sheffield
- Dolphin Park, Sittingbourne
- Pocket Nook Industrial Estate, St Helens

As a result of the Coronavirus pandemic and the impact this has had on tenant strength and their ability to pay their rental commitments, a number of commercial property sectors experienced decreased valuations. Retail and leisure sectors experienced the largest decreases, and it was these assets within the AIRE portfolio that suffered the largest valuation declines during the year. Gyms and hotels were shut for the majority of 2020, leading to no rent being collected from these tenants for the period March to June.

Consequently, less certainty - and a higher degree of caution - should be attached to the valuation than would normally be the case.

10.2) Fair value measurement hierarchy
The following table provides the fair value measurement hierarchy for non-current assets:

			30 June 2020	
	Quoted prices in active markets (Level 1) £'000	**Significant observable inputs (Level 2) £'000**	**Significant unobservable inputs (Level 3) £'000**	**Total £'000**
Assets measured at fair value				
Investment property*	-	-	101,910	101,910
	-	**-**	**101,910**	**101,910**

			30 June 2019	
	Quoted prices in active markets (Level 1) £'000	**Significant observable inputs (Level 2) £'000**	**Significant unobservable inputs (Level 3) £'000**	**Total £'000**
Assets measured at fair value				
Investment property*	-	-	112,990	112,990
	-	**-**	**112,990**	**112,990**

* before adjustments to fair value for rent smoothing of lease income and lease obligations

Explanation of the fair value hierarchy:

Level 1 - Quoted prices for an identical instrument in active markets;

Level 2 - Prices of recent transactions for identical instruments and valuation techniques using observable market data; and

Level 3 - Valuation techniques using non-observable data.

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')

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
30 June 2020				
Investment Property*	101,910	Income capitalisation	ERV Equivalent yield	£3.74 - £21.96 5.34% - 8.76%
30 June 2019				
Investment Property*	112,990	Income capitalisation	ERV Equivalent yield	£3.74 - £21.96 4.81% - 8.66%

* Valuation per Knight Frank LLP

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

30 June 2020

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	+10%	-10%	+10%	-10%
Resulting fair value of investment property	113,193	97,883	106,808	102,724

30 June 2019

	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	+5%	-5%	+5%	-5%
Resulting fair value of investment property	113,721	112,158	108,914	117,391

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.

11. Receivables and prepayments

	30 June 2020 £'000	30 June 2019 £'000
Receivables		
Rent debtor	1,174	136
Less: Provision for impairment of trade receivables*	(213)	-
Other debtors	2,211	3
Total Receivables	**3,172**	**139**
Rent smoothing debtor - rent indexation	1,598	876
Rent smoothing debtor - rent free periods	626	69
Other prepayments	21	71
Total	**5,417**	**1,154**

The aged debtor analysis of receivables which are past due but not impaired is as follows:

	30 June 2020 £'000	30 June 2019 £'000
Less than three months due	3,089	139
Between three and six months due	83	-
Between six and twelve months due	-	-
	3,172	**139**

*The Directors' have assessed the credit worthiness of the tenants and the impact of COVID-19 on the tenant's ability to pay, particularly with regard to the education and leisure sectors. We have noted that, to date, no rent free periods or rent adjustments (except for the Travelodge CVA) have been agreed across the portfolio. The Group has granted limited concessions to a small number of tenants to settle their rent monthly and continues to provide proportionate assistance to those tenants whose operations are materially affected.

12. Payables and accrued expenses

	30 June 2020 £'000	30 June 2019 £'000
Deferred income	1,265	990
Trade creditors	87	-
Accruals	395	313
Other creditors	848	780
	2,595	**2,083**

13. Interest bearing loans and borrowings

	30 June 2020 £'000	30 June 2019 £'000
At the beginning of the year	41,000	30,000
Bank borrowings drawn in the year	-	11,000
Total facility drawn	**41,000**	**41,000**
Less loan issue costs incurred	(686)	(776)
Less: adjustment on loan issue cost	(21)	-
Plus: amortised loan issue costs	124	90
At end of period	**40,417**	**40,314**
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	-	-
Repayable in over 5 years	41,000	41,000
Total	**41,000**	**41,000**

As at 30 June 2020, the Group had utilised all of its £41 million fixed interest loan facility with Canada Life Investments and was geared at a loan to Gross Asset Value ('GAV') of 37.0% (2019: 34.4%). The weighted average interest cost of the Group's facility is 3.19% and the facility is repayable on 20 October 2025.

	30 June 2020 £'000	30 June 2019 £'000
Reconciliation to cash flows from financing activities		
At the beginning of the year	40,314	28,029
Loan drawn down	-	12,362
Interest paid	(1,435)	(1,012)
Total changes from financing cash flows	**(1,435)**	**11,350**
Other changes		
Movement in interest payable presented under other creditors	(7)	(162)
Interest expense	1,442	1,174
Adjustment on loan issue costs	(21)	(167)
Amortisation of loan issue costs	124	90
Total other changes	**1,538**	**935**
At the end of the year	**40,417**	**40,314**

14. Lease obligations

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid on that date.

The following table analyses the minimum lease payments under non-cancellable leases:

	30 June 2020 £'000	30 June 2019 £'000
Within one year	50	35
After one year but less than five years	200	150
More than five years	563	700
Total undiscounted lease liabilities:	**813**	**885**
Less: Future finance charge on lease obligations	(399)	(368)
Present value of lease liabilities:	**414**	**517**
Lease liabilities included in the statement of financial position:		
Current	41	35
Non-current	373	482
Total:	**414**	**517**

15. Commitments

Operating lease commitments - as lessor

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have a remaining term of between 6 months and 90 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2020 are as follows:

	30 June 2020 £'000	30 June 2019 £'000 (Restated - see below)
Less than one year	6,449	6,082
One to two years	6,603	6,774
Two to three years	6,626	6,827
Three to four years	6,729	6,773
Four to five years	6,758	6,874
Five to ten years	30,429	32,029
Ten to fifteen years	28,231	29,940
Over fifteen years	64,735	69,275
Total	**156,560**	**164,574**

During the year ended 30 June 2020 (2019: £nil) there were no material contingent rents recognised as income.

In preparing the consolidated financial statements, the directors have considered it necessary to correct certain amounts of the comparative information for the disclosures in respect of future minimum lease income which was understated by £7.57m (split as a £2.04m understatement of ten to fifteen years and a £5.53m understatement of over fifteen years) and an amount of £6.84m was misclassified between 2 to 5 years and more than 5 years. This adjustment has no impact on any of the balances related to leases shown in the financial statements.

Capital commitment

Work started in September 2020 to replace the defective cladding elements uncovered on the external walls of the top floors and rear lift core of the Travelodge Hotel, Swindon, with compliant replacements and to remediate the fire stopping. Completion of the work is expected in December 2020 at a cost (including professional fees) of c.£1.2 million. The cladding was installed when the property was extended in 2007 and both the architect and cladding sub-contractor involved are being pursued for reimbursement of the costs incurred.

16. Non-current assets held for sale

The investment property known as Wet n Wild, Royal Quays, North Shields was presented as held for sale as at 30 June 2020 following a management decision to dispose of it in order to better align the group's property portfolio with its strategic objectives. Negotiations with the potential buyer were at an advanced stage as at 30 June 2020. The sale was completed on 31 July 2020 - Refer to note 22.

	30 June 2020	30 June 2019
	£'000	£'000
Assets held for sale		
Investment property	2,734	-
Total	**2,734**	**-**

17. Investments in subsidiaries
The Company has two wholly owned subsidiaries as disclosed below:

Name and company number	Country of registration and incorporation	Date of incorporation	Principal activity	Ordinary Shares held
Alternative Income REIT Holdco Limited (Company number 11052186)	England and Wales	7 November 2017	Real Estate Company	73,158,502*
Alternative Income Limited (Company number 10754641)	England and Wales	4 May 2017	Real Estate Company	73,158,501*

* Ordinary shares of £1.00 each.

Alternative Income REIT Plc as at 30 June 2020 owns 100% controlling stake of Alternative Income REIT Holdco Limited.

Alternative Income REIT Holdco Limited holds 100% of Alternative Income Limited.

Both Alternative Income REIT Holdco Limited and Alternative Income Limited are registered at 1 King William Street, London, United Kingdom, EC4N 7AF.

18. Issued share capital

	For the year ended 30 June 2020		For the year ended 30 June 2019	
	£'000	Number of Ordinary Shares	£'000	Number of Ordinary Shares
Ordinary Shares issued and fully paid				
At the beginning of the year	805	80,500,000	805	80,500,000
At the end of the year/period	**805**	**80,500,000**	**805**	**80,500,000**

19. Financial risk management and policies
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 portfolio are as follows:

19.1 Market price risk
Market price risk is the risk that future values of investments in property will fluctuate due to changes in market prices. To manage market price risk, the Group diversifies its portfolio geographically in the UK and across property sectors.

The disciplined approach to the purchase, sale and asset management ensures that the value is maintained to its maximum potential. Prior to any property acquisition or sale, detailed research is undertaken to assess expected future cash flow. The Investment Management Committee ('IMC') of the Investment Manager meets monthly and reserves the ultimate decision with regards to investment purchases or sales. In order to monitor property valuation fluctuations, the IMC and the Portfolio Management Team of the Investment Manager meet with the independent external valuer on a regular basis. The valuer provides a property portfolio valuation quarterly, so any movements in the value can be accounted for in a timely manner and reflected in the NAV every quarter.

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 properties acquired for the Group. 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.

19.3 Credit risk
Credit risk is the risk that the counterparty (to a financial instrument) or tenant (of a property) will cause a financial loss to the Group by failing to meet a commitment it has entered into with the Group.

It is the Group's policy to enter into financial instruments with reputable counterparties. All cash deposits are placed with an approved counterparty, Royal Bank of Scotland International.

In respect of property investments, in the event of a default by a tenant, the Group will suffer a rental shortfall and additional costs concerning re-letting the property. The Investment Adviser monitors tenant arrears in order to anticipate and minimise the impact of defaults by occupational tenants.

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

	30 June 2020	30 June 2019
	£'000	£'000
Debtors (including straight lining and excluding prepayments)	5,396	1,083

Cash and cash equivalents	2,288	5,519
Total	**7,684**	**6,602**

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

30 June 2020	**On demand £'000**	**< 3 months £0'000**	**3-12 months £'000**	**1-5 years £'000**	**>5 years £'000**	**Total £'000**
Interest bearing loans and borrowings	-	-	-	-	41,000	4,000
Interest payable	258	330	987	5,299	403	7,277
Payables and accrued expenses	228	843	-	-	-	1,071
Lease obligations	-	13	37	200	563	813
Total	**486**	**1,185**	**1,024**	**5,499**	**41,966**	**50,161**

30 June 2019	**On demand £'000**	**< 3 months £0'000**	**3-12 months £'000**	**1-5 years £'000**	**>5 years £'000**	**Total £'000**
Interest bearing loans and borrowings	-	-	-	-	41,000	41,000
Interest payable	251	329	981	5,229	1,689	8,479
Payables and accrued expenses	376	107	360	-	-	843
Lease obligations	-	9	26	130	353	517
Total	**627**	**445**	**1,367**	**5,359**	**43,042**	**50,839**

19.5 Fair value of financial instruments

There is no material difference between the carrying amount and fair value of the Group's financial instruments.

19.6 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. The Group's exposure to the risk of changes in market interest rates is minimal as it has taken out a fixed rate bank loan.

20. Capital management

The primary objectives of the Group's capital management is to ensure that it qualifies for the UK REIT status and remains within its quantitative banking covenants.

To enhance returns over the medium term, the Group utilises borrowings on a limited recourse basis for each investment or all or part of the total portfolio. The Group's policy is to borrow up to a maximum of 40% loan to GAV (both are measured at drawdown). Alongside the Group's borrowing policy, the Directors intend, at all times, to conduct the affairs of the Group so as to enable the Group to qualify as a REIT for the purposes of Part 12 of the Corporation Tax Act 2010 (and the regulations made thereunder). The REIT status compliance requirements include 90% distribution test, interest cover ratio, 75% assets test and the substantial shareholder rule, all of which, other than the latter - see note 22 - the Group remained compliant with in this reporting period.

The monitoring of the Group's level of borrowing is performed primarily using a Loan to GAV ratio. The Loan to GAV ratio is calculated as the amount of outstanding debt divided by the total assets of the Group, which includes the valuation of the investment property portfolio. The Group Loan to GAV ratio at the period end was 37.0% (2019: 34.4%).

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. During the period, 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.

Subsidiaries

Alternative Income REIT Plc as at 30 June 2020 owns 100% controlling stake of Alternative Income REIT Holdco Limited and Alternative Income REIT Holdco Limited holds 100% of Alternative Income Limited.

Directors

Directors of the Group are considered to be the key management personnel. Directors' remuneration is disclosed in note 5.

22. Events after reporting date

REIT compliance

Consistent with the two previous year-ends, as part of the Group's year-end procedures, those shareholders holding more than 10% of the Company shares, were asked to confirm that their holdings were held sufficiently widely to comply with the substantial shareholder rule. Inconsistent with the previous year-ends, as at 30 June 2020, one such shareholder was unable to do so, and the non-compliance by the shareholder concerned will be dealt with in accordance with the Company's Articles of Association.

Dividend

On 6 August 2020, the Board declared an interim dividend of 1.425 pence per share in respect of the period from 1 April 2020 to 30 June 2020. This was paid on 28 August 2020 to shareholders on the register as at 14 August 2020. The ex-dividend date was 13 August 2020. (2019: On 8 August 2019, the Board declared an interim dividend of 1.375 pence per share in respect of the period from 1 April 2019 to 30 June 2019. This was paid on 30 August 2019 to shareholders on the register as at 16 August 2019. The ex-dividend date was 15 August 2019.

Sale of property

On 31 July 2020, the Group disposed of the property known as Wet n Wild, Royal Quays, North Shields for a total consideration of £3.2m. The property was pledged as part of the security for the Group's senior debt financing from Canada Life. The structure of the facility means there is no allocated loan amount, release price or other costs resulting from the sale of the asset. The Group intends to redeploy the proceeds of the sale into its growing pipeline of accretive investment assets in short order.

COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	**30 June 2020 £'000**	**30 June 2019 £'000 (Restated - note 6)**
Assets			
Non-current Assets			
Investments in subsidiary companies	3	73,158	73,158
Investment property	3	2,011	2,055

	Note		
		75,169	**75,213**
Current Assets			
Receivables and prepayments	4	41	264
Cash and cash equivalents		108	1,485
		149	**1,749**
Total Assets		**75,318**	**76,962**
Current Liabilities			
Payables and accrued expenses	5	11,936	8,538
		11,936	**8,538**
Net Assets		**63,382**	**68,424**
Equity			
Share capital	7	805	805
Capital reserve and retained earnings		62,577	67,619
Total capital and reserves attributable to equity holders of the Company		**63,382**	**68,424**
Net Asset Value per share (pence per share)		**78.74**	**85.00**

As permitted by s408 Companies Act 2006, the Company's profit and loss account has not been presented in these financial statements.

The Company's loss for the year was £1,057,229 (30 June 2019: £1,286,695 (Restated - note 6)).

The financial statements were approved by the Board of Directors on 19 October 2020 and were signed on its behalf by:

Steve Smith
Chairman
Company number: 10727886

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

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

	Share capital £'000	**Share premium account £'000**	**Capital reserve and retained earnings £'000**	**Total capital and reserves attributable to equity holders of the Group £'000**
For the year ended 30 June 2020				
Balance as at 1 July 2019, as restated	805	-	67,619	68,424
Total comprehensive loss	-	-	(1,057)	(1,057)
Dividends paid	-	-	(3,985)	(3,985)
Balance at 30 June 2020	**805**	**-**	**62,577**	**63,382**
For the year ended 30 June 2019				
Balance as at 1 July 2018	805	-	73,239	74,044
Total comprehensive loss as previously reported	-	-	(1,552)	(1,552)
Effect of correction of prior year accounting error (note 6)			266	266
Total comprehensive loss as restated			(1,286)	(1,286)
Share issue costs	-	-	(7)	(7)
Dividends paid	-	-	(4,327)	(4,327)
Balance at 30 June 2019, as restated	**805**	**-**	**67,619**	**68,424**

NOTES TO THE COMPANY ACCOUNTS

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

1. Corporate information

Alternative Income REIT Plc (the 'Company') is a public limited company and a closed ended Real Estate Investment Trust ('REIT') incorporated on 18 April 2017, and domiciled in the UK and is registered in England and Wales. The registered office of the Company is located at 1 King William Street, London, United Kingdom, EC4N 7AF.

The Company's Ordinary Shares were listed on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 6 June 2017.

The Company is the ultimate parent company of the Alternative Income REIT HoldCo Limited and Alternative Income Limited. Its primary activity is to hold shares in subsidiary companies and invest in direct property investments.

2. Accounting policies

Basis of preparation
These financial statements are prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in

accordance with applicable accounting standards. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of cash flow statement, standards not yet effective, impairment of assets and related party transactions.

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 63 to 67.

For an assessment of going concern refer to the accounting policy 2.4 of the Group on pages 64 to 65.

The current period is for a period of 12 months from 1 July 2019 to 30 June 2020. The comparative period is for a period of 12 months from 1 July 2018 to 30 June 2019.

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.

3. Investments

3a. Investments in Subsidiary Companies

	30 June 2020 £'000	30 June 2019 £'000
At the beginning of the year	73,158	71,309
Investment in subsidiary companies	-	1,849
At the end of the year	**73,158**	**73,158**

A list of subsidiary undertakings at 30 June 2020 is included on note 17 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 properties held by the company are carried at fair value. The net asset value of the subsidiary company exceeds the carrying amount of the investment in subsidiary and the Directors have concluded that no impairment is necessary.

3b. Investment property

	30 June 2020 £'000	30 June 2019 £'000 (Restated - note 6)
At the beginning of the year	2,055	-
Purchases in the year	-	2,203
Revaluation of investment property	(30)	(143)
Adjustment to fair value for rent smoothing	(14)	(5)
	2,011	**2,055**

4. Receivables and prepayments

	30 June 2020 £'000	30 June 2019 £'000 (Restated - note 6)
Receivables		
Rent debtor	65	-
Less: Provision for impairment of trade receivables	(65)	-
Rent smoothing debtor - rent indexation	19	5
VAT receivable	17	251
	36	**256**
Prepayments		
Other prepayments	5	8
	5	**8**
Total	**41**	**264**

5. Payables and accrued expenses

	30 June 2020	30 June 2019 £'000 (Restated - note 6)
Due to subsidiaries	11,471	8,106
Deferred income	30	30

Trade creditors	6	-
Accruals	368	295
Other creditors	61	107
Total	**11,936**	**8,538**

Amounts due to subsidiaries are unsecured, interest free and repayable on demand.

6. Prior year restatement

During the process of the preparation of the Company's financial statements for the year ended 30 June 2020, it was noted that the registered owner of Silver Trees, Nailsea, Bristol is Alternative Income Limited instead of the Company. Transactions relating to the property from the acquisition date of January 2019 to 30 June 2019 were incorrectly accounted for in the books of the Company. This correction represents a prior period accounting adjustment which is to be accounted for retrospectively in the financial statements. Consequently, the Company has adjusted the relevant comparative amounts presented in the current period's financial statements affected by the accounting restatement.

The following table summarises the impact on the Company's financial statements:

	30 June 2019, as previously reported £'000	**Adjustments £'000**	**30 June 2019, as restated £'000**
Balance sheet			
Investment property	8,675	(6,620)	2,055
Receivables and prepayments	294	(30)	264
Payables due to subsidiary	14,927	(6,821)	8,106
Other payables	527	(95)	432
Payables and accrued expenses	15,454	(6,916)	8,538
Comprehensive income/(loss)			
Comprehensive loss	(1,552)	266	(1,286)

The reduction in investment property represents the fair value (net of rent smoothing adjustment of £30 (£'000)) of Silver Trees, Nailsea, Bristol as at 30 June 2019 while the £266 (£'000) adjustment on comprehensive loss represents the property income, expense and valuation surpluses that are now recognised in the subsidiary accounts. The net effect of the adjustment has been recognised against the intercompany balances with the subsidiary.

7. Dividends paid

	30 June 2020 £'000	**30 June 2019 £'000**
Fourth interim dividend declared in respect of the quarter ended 30 June 2019 at 1.375p per Ordinary Share (2019: quarter ended 30 June 2018 at 1.25p per Ordinary Share*)	1,107	1,006
First interim dividend paid in respect of the quarter ended 30 September 2019 at 1.375p per Ordinary Share (2019: quarter ended 30 September 2018 at 1.375p per Ordinary Share)	1,107	1,107
Second interim dividend declared in respect of the quarter ended 31 December 2019 at 1.375p per Ordinary Share (2019: quarter ended 31 December 2018 at 1.375p per Ordinary Share)	1,107	1,107
Third interim dividend declared in respect of the quarter ended 31 March 2020 at 0.83p per Ordinary Share (2019: quarter ended 31 March 2019 at 1.375p per Ordinary Share)	664	1,107
Total dividends paid during the year	**3,985**	**4,327**
Fourth interim dividend declared in respect of the quarter ended 30 June 2019 at 1.375p per Ordinary Shares (2019: quarter ended30 June 2018 at 1.25p per Ordinary Share*)	(1,107)	(1,006)
Fourth interim dividend declared in respect of the quarter ended 30 June 2020 at 1.425p per Ordinary Share*	1,147	1,107
Total dividends in respect of the year	**4,025**	**4,428**

* Dividends declared after the year end are not included in the Company's Financial Statements as a liability.

8. Issued share capital

	For the year ended 30 June 2020		**For the year ended 30 June 2019**	
	£'000	**Number of Ordinary Shares**	**£'000**	**Number of Ordinary Shares**
Ordinary Shares issued and fully paid				
At the beginning of the year	805	80,500,000	805	80,500,000
At the end of the year	**805**	**80,500,000**	**805**	**80,500,000**

9. Events after reporting date

Dividend

On 6 August 2020, the Board declared an interim dividend of 1.425 pence per share in respect of the period from 1 April 2020 to 30 June 2020. This was paid on 28 August 2020 to shareholders on the register as at 14 August 2020. The ex-dividend date was 13 August 2020. (2019: On 8 August 2019, the Board declared an interim dividend of 1.375 pence per share in respect of the period from 1 April 2019 to 30 June 2019. This was paid on 30 August 2019 to shareholders on the register as at 16 August 2019. The ex-dividend date was 15 August 2019).

REIT compliance

Consistent with the two previous year-ends, as part of the Group's year-end procedures, those shareholders holding more than 10% of the Company shares, were asked to confirm that their holdings were held sufficiently widely to comply with the substantial shareholder rule. Inconsistent with the previous year-ends, as at 30 June 2020, one such shareholder was unable to do so, and the non-compliance by the shareholder concerned will be dealt with in accordance with the Company's Articles of Association.

EPRA Unaudited Performance Measure Calculations

EPRA Yield calculations		2020 £000	2019 £000
Investment property - wholly owned		104,760	112,990
Allowance for estimated purchasers' costs		7,857	7,683
Gross up completed property portfolio valuation	B	112,617	120,673
Annualised cash passing rental income		6,496	6,055
Property outgoings		(55)	(40)
Annualised net rents	A	6,440	6,015
Add: notional rent expiration of rent free periods or other lease incentives		1,407	1,578
Topped-up net annualised rent	C	7,847	7,593
EPRA NIY	A/B	5.72%	4.98%
EPRA "topped-up" NIY	C/B	6.97%	6.29%

EPRA Cost Ratios		**2020 £000**	2019 £000
Include:			
Administrative/operating expense line per IFRS income statement		1,491	1,164
Net service charge costs/fees		-	-
Property operating expense		56	162
Other operating income/recharges intended to cover overhead expenses less any related profits		-	-
Share of Joint Ventures expenses		-	-
Investment Property depreciation		-	-
Ground rent costs		-	-
Service charge costs recovered through rents but not separately invoiced		-	
EPRA Costs (including direct vacancy costs)	A	1,547	1,326
Direct vacancy costs		-	-
EPRA Costs (excluding direct vacancy costs)	B	1,547	1,326
Gross Rental Income		7,351	6,907
Less: service fee and service charge costs components of Gross Rental Income (if relevant)		-	-
Add: share of Joint Ventures (Gross Rental Income less ground rent costs)		-	-
Gross Rental Income (C)	C	7,351	6,907
EPRA Cost Ratio (including direct vacancy costs)	A/C	**21.05%**	**19.20%**
EPRA Cost Ratio (excluding direct vacancy costs)	B/C	**21.05%**	**19.20%**

Vacancy rate		**2020 £000**	2019 £000
ERV vacant		-	-
ERV total	%	6,729	6,686
Vacant space		**0.00%**	**0.00%**

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Jim Prower (Independent non-executive Director)
Alan Sippetts (Independent non-executive Director)

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Glossary

Alternative Investment Fund Manager or AIFM or Investment Manager	Langham Hall Fund Management LLP.
Company	Alternative Income REIT plc.
Contracted rent	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
Earnings Per Share ('EPS')	Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.
EPRA	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
EPRA cost ratio (including direct vacancy costs)	The ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses.
EPRA cost ratio (excluding direct vacancy costs)	The ratio calculated above, but with direct vacancy costs removed from net overheads and operating expenses balance.
EPRA Earnings Per Share	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 NAV	NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.
EPRA NNNAV	EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.
EPRA Net Initial Yield ('NIY')	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
EPRA Topped-Up Net Initial Yield	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).
EPRA Vacancy Rate	Estimated Rental Value of vacant space as a percentage of the Estimated Rental Value of the whole portfolio.
Equivalent Yield	The internal rate of return of the cash flow from the property, assuming a rise to Estimated Rental Value at the next review or lease expiry. No future growth is allowed for.
Estimated Rental Value ('ERV')	The external valuer's opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
External Valuer	An independent external valuer of a property. The Group's External Valuer is Knight Frank LLP.
Fair value	The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.
Fair value movement	An accounting adjustment to change the book value of an asset or liability to its fair value.
FCA	The Financial Conduct Authority.
Gross Asset Value	The aggregate value of the total assets of the Group as determined in

('GAV')	accordance with IFRS.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards, as adopted by the European Union.
Investment Adviser	M7 Real Estate Limited.
IPO	The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and admission of Ordinary Shares to the premium listing segment of the Official List on 6 June 2017.
Lease incentives	Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of the lease incentive is amortised through the Consolidated Statement of Comprehensive Income on a straight-line basis until the lease expiry.
Loan to Value ('LTV')	The value of loans and borrowings utilised (excluding amounts held as restricted cash and before adjustments for issue costs) expressed as a percentage of the combined valuation of the property portfolio (as provided by the valuer) and the fair value of other investments.
Net Asset Value ('NAV')	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
Net Asset Value per share	Equity shareholders' funds divided by the number of Ordinary Shares in issue.
Net equivalent yield	Calculated by the Group's External Valuers, net equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.
Net Initial Yield ('NIY')	The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Net rental income	Rental income receivable in the period after payment of ground rents and net property outgoings.
Ongoing Charges	The ratio of annualised total administration and property operating costs expressed as a percentage of average NAV throughout the period.
Ordinary Shares	The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth.
Passing rent	The gross rent, less any ground rent payable under head leases.
pps	Pence per share.
REIT	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation Tax Act 2010. Subject to the continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
Reversion	Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV.
Share price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
Total returns	The returns to shareholders calculated on a per share basis by adding dividend paid in the period to the increase or decrease in the share price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.
Total Shareholder Return	The percentage change in the share price assuming dividends are reinvested to purchase additional Ordinary Shares.
Weighted Average Unexpired Lease Term ('WAULT')	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).

END

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