

RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

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Alternative Income REIT PLC
22 February 2021

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22 February 2021

Alternative Income REIT plc
(the "Company" or the "Group")

Interim Report and Financial Statements for the half year ended 31 December 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 interim report and financial statements for the half year ended 31 December 2020.

Financial Highlights

- Unaudited Net Asset Value of £68.17 million and of 84.68 pence per share ('pps') as at 31 December 2020 (31 December 2019: £76.17 million and 94.63 pps) - further details in the NAV section of the Chairman's Statement below.
- Operating profit of £3.48 million (including gain on sale of investment property but excluding fair value changes) for the half year (half year ended 31 December 2019: £3.03 million) - further details in the Financial Results section of the Chairman's Statement below.
- Unadjusted profit before tax of £3.03 million and 3.77 pps for the half year (half year ended 31 December 2019: profit of £2.07 million and 2.57 pps).
- EPRA Earnings per Share¹ for the half year of 3.43 pence (half year ended 31 December 2019: 2.87 pps).
 - The EPRA EPS includes accruals to reflect the minimum contracted uplifts, the spreading of rent free periods, the amortisation of loan arrangement fees and the movement in the provision for impairment of trade receivables. Excluding these items from the Group's EPRA EPS, the unaudited adjusted cash earnings were 3.19 pence per share, reflecting 141.6% cash dividend cover for the half year (half year ended 31 December 2019: 2.22 pence per share; 80.7% cash dividend cover).
- Total dividends of 2.25 pps have been declared for the half year (half year ended 31 December 2019: 2.75 pps).
 - As announced on 4 February 2021, a quarter of the Group's rent is derived from the hotel and leisure industry, which has been particularly adversely affected by the COVID-19 related lockdown measures enforced during 2020 and, indeed, most remain closed. As a result, the Group currently has arrears from this sector equal to c.8% of its 2020 rents, which, when combined with the remedial work that the Group completed in December 2020 to ensure that its property in Swindon conforms with current Building Regulations, has impacted the Group's cash position, resulting in a lower dividend declared on 4 February 2021 in respect of the final quarter of 2020.
 - The Board continues to target a resumption of a fully covered annual dividend of 5.5 pence per share², 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 60.00 pps as at 31 December 2020 (31 December 2019: 74.68 pps).
- As at 31 December 2020, the Group had a £41.00 million loan facility with Canada Life Investments and was geared to 36.6% of the Gross Asset Value (GAV) (31 December 2019: 34.5%).
- EPRA Cost Ratio³ of 12.6% as at 31 December 2020 (31 December 2019: 16.3%).

¹ see Note 7 of the Consolidated Financial Statements, Glossary for definitions and abbreviations, and Key Performance Indicators section below for their definitions.

² This is a target only and not a profit forecast. There can be no assurance that the target will be met and it should not be taken as an indicator of the Company's expected or actual results.

³ A definition of EPRA measures is set out in the EPRA Unaudited Performance Measures section further below.

Property Highlights

- As at 31 December 2020, the Group's property portfolio had a fair value of £108.53 million, including £4.75m for the newly acquired property, Droitwich Spa Retail Park (31 December 2019: £112.99 million) - see Financial Results section within the Chairman's Statement below.
- The weighted average unexpired lease term ("WAULT") as at 31 December 2020 was 18.3 years to the earlier of break and expiry (31 December 2019: 20.0 years) and 20.3 years to expiry (31 December 2019: 22.1 years).
- The assets were fully let as at 31 December 2020 (31 December 2019: fully let).
- Rent and other income recognised during the half year was £3.53 million (half year to 31 December 2019: £3.63 million). The number of tenants as at 31 December 2020 was 22 (31 December 2019: 21).
- The portfolio had annualised gross passing rental income of £6.94 million as at 31 December 2020 (31 December 2019: £6.78 million).
- EPRA Net Initial Yield³ ('NIY') of 5.49% as at 31 December 2020 (31 December 2019: 5.04%).
- EPRA topped-up NIY³ of 7.04% as at 31 December 2020 (31 December 2019: 6.30%).

Post balance sheet highlights

- By week commencing 15 February 2021, in respect of the March, June and September 2020 rent quarters, the Group had collected 91.5% of rents due

and payment plans are in place in respect of the remaining 8.5%. By the same date, the Group had collected 86.6% of its December 2020 quarter's rent and agreed, or is the process of agreeing, rent concessions with the remaining 13.4%.

- As previously announced, and in line with its commitment set out in the results of the Annual General Meeting announcement on 26 November 2020, the Board is continuing to engage in an open and transparent dialogue with shareholders and expects to provide an update shortly.
- On 4 February 2021, the Board declared an interim dividend of 1.00 pps in respect of the period from 1 October 2020 to 31 December 2020. This will be paid on 26 February 2021 to shareholders on the register as at 12 February 2021. The ex-dividend date was 11 February 2021.

ENQUIRIES

Alternative Income REIT PLC

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Further information on Alternative Income REIT plc is available at www.alternativeincomereit.com⁴

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.

⁴ 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 unaudited interim report and financial statements for the Group for the half year ended 31 December 2020.

The past year has seen unprecedented challenges as the COVID-19 pandemic continues to create global uncertainty. However, I am pleased to reflect that, at the start of the new year, the vaccination programme may be turning the tide and that we have cause to look forward with cautious optimism.

Whilst the full impact of the pandemic on the economy and, in particular, the property sector is still to be understood, in spite of considerable uncertainty, the Group has continued to make progress. We were particularly pleased to have completed the disposal of the Wet 'n' Wild Water Park, North Shields ("Wet 'n' Wild") at a significant premium to cost and book value, and subsequently to redeploy the proceeds through the acquisition of the Droitwich Spa Retail Park, at a yield which was materially higher than both the 6.0% exit yield on Wet 'n' Wild and the Group's 5.76% portfolio valuation yield at the time. This transaction was the first investment for the Company identified by its Investment Adviser, M7 Real Estate Limited, and the Board believes it to be an asset with good defensive qualities and the potential to deliver excellent long term returns for shareholders.

Over the period, the Board's focus has been the health, safety and wellbeing of its stakeholders, coupled with proportionate support for its tenants, to ensure that as far as possible the financial position of both landlord and its lessees remains healthy and sustainable, cognisant of the duty to act in the best interests of the Company's shareholders as a whole. By week commencing 15 February 2021, in respect of the March, June and September 2020 rent quarters, the Group had collected 91.5% of rents due and payment plans are in place in respect of the remaining 8.5%. By the same date, the Group had collected 86.6% of its December 2020 quarter's rent and agreed, or is the process of agreeing, rent concessions with the remaining 13.4%.

The Board believes that the Group is well positioned given its diversified, 100% let portfolio, generally strong rent collection, a robust balance sheet and modest overhead. The focus remains on generating a progressive cash covered dividend from the Group's now fully invested portfolio.

Financial Results

	Half year ended 31 December 2020 (unaudited)	Half year ended 31 December 2019 (unaudited)	Year ended 30 June 2020 (audited)
Operating profit before fair value changes and gain [£'000]	3,050	3,027	5,803
Increase / (decrease) in fair values [£'000]	270	(245)	(9,411)
Capital gain on sale of Wet 'n' Wild Water Park [£'000]	425	-	-
Operating profit/(loss) [£'000]	3,745	2,782	(3,608)
Profit/(loss) before tax [£'000]	3,033	2,067	(5,050)
Profit/(loss) per share - basic and diluted [pence]	3.77	2.57	(6.27)

EPRA Earnings per Share (EPS) - basic and diluted [pence]	3.43	2.87	5.42
Adjusted EPS* - basic and diluted [pence]	3.19	2.22	4.25
Net Asset Value (NAV) & EPRA NAV per share [pence]	84.68	94.63	83.58
EPRA Cost Ratio [%]	12.6	16.3	21.1
Annualised charges [%]	1.14	1.60	2.22
Gearing ratio [%]	36.6	34.5	37.0

* The EPRA EPS includes accruals to reflect the minimum contracted uplifts, the spreading of rent-free periods, the amortisation of loan arrangement fees and the movement in the provision for impairment of trade receivables. Excluding these items from the Group's EPRA EPS, the unaudited adjusted cash earnings were 3.19 pence per share, reflecting 141.6% cash dividend cover for the half year (half year ended 31 December 2019: 2.22 pence per share; 80.7% cash dividend cover). As shown in the above table, the gain on the disposal of Wet 'n' Wild was £425,202 which after taking account of the corresponding reversal of rent smoothing for minimum uplifts of £115,568 was equivalent to 0.39 pence per share.

NAV

At 31 December 2020, the independent fair valuation undertaken by Knight Frank of the Company's property portfolio was £108.53 million, including £4.75 million for the property at Droitwich Spa Retail Park acquired in early December 2020 (31 December 2019: £112.99 million).

As described in the latest Annual Report, the fair value of the Group's property portfolio (including the Wet 'n' Wild held for sale) declined from £112.99 million (31 December 2019) to £104.76 million (30 June 2020). £6.15 million (74%) of this movement was driven by the leisure, gym and hotel properties, and a further £1.30 million (16%) was due to the automotive dealerships. These property sectors, both occupational and investment markets, were amongst the most adversely affected by the COVID-19 related lockdown in effect from 23 March 2020.

During the half year ended 31 December 2020, property values within the portfolio have stabilised. The exception is an uplift (£1.70 million) during Q4 for the hotel property in Swindon where the 31 December 2020 valuation reflects the completion of remedial work and agreement reached with Travelodge.

Dividends & Earnings

The Company declared interim dividends of 2.25 pps in respect of the half year ended 31 December 2020 (half year ended 31 December 2019: 2.75 pps). As set out in Note 8 to the Consolidated Financial Statements, these dividends were covered by EPRA earnings of 3.43 pps (31 December 2019: 2.87 pps), and the Group's adjusted earnings (representing cash) were 3.19 pps (31 December 2019: 2.22 pps).

As announced on 4 February 2021, a quarter of the Group's rent is derived from the hotel and leisure industry, which has been particularly adversely affected by the COVID-19 related lockdown measures enforced during 2020 and, indeed, most remain closed. As a result, the Group currently has arrears from this sector equal to c.8% of its 2020 rents, which, when combined with the remedial work that the Group completed in December 2020 to ensure that its property in Swindon conforms with current Building Regulations, has impacted the Group's cash position, resulting in a lower dividend declared on 4 February 2021 in respect of the final quarter of 2020.

The Board continues to target a resumption of a fully covered annual dividend of 5.5 pence per share², all else being equal, by September 2022.

Shareholder Engagement

Whilst the Board was disappointed by the rejection of the revised Investment Policy at the Annual General Meeting on 26 November 2020 ("AGM"), it recognises that in the current febrile atmosphere our major investors voted for a cautious approach, at least in the short term, and the Board understands and is fully supportive of their decision. The Board felt confident that the proposed amendments would have enabled the Company to take advantage of current market opportunities and deliver significant added value for shareholders, but given the lack of appetite amongst investors, the Board recognises the need for caution. One disappointing aspect of the AGM was the level of voting participation, particularly amongst smaller investors.

Following discussions with Glenstone Property PLC ("Glenstone"), which holds 14.73% of the Company's issued share capital following its Tender Offer, the Board and its adviser have been in regular communication with Glenstone in relation to its request for representation on the Board.

As announced on 4 February 2021, the Board is engaging in an open and transparent dialogue with shareholders and will provide an update shortly.

Future Growth and Outlook

Despite the potential impact of Brexit and, latterly, the major disruption caused by the COVID-19 pandemic, the appetite for well let UK commercial property with secure income remains relatively strong. We therefore remain confident that the Group's diversified robust portfolio is well positioned to absorb potential market dislocation.

The Board believes that it has taken a disciplined and timely approach, particularly in relation to cost management and the appointment of a talented, proficient team of service providers and advisers. The Group has a strong foundation from which to deliver attractive total returns including a potentially progressive dividend and believes the portfolio to be well positioned for the better times that we expect to lie ahead.

Finally, I would like to thank our service providers, our advisers and my fellow Directors for their input, effort and support during very challenging times. Thank you also to our shareholders for their continued patience and support during what have been trying circumstances.

Steve Smith
Chairman
22 February 2021

Unaudited Key Performance Indicators ('KPIs')

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
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1. 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 by 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.	5.53% at 31 December 2020 (30 June 2020: 5.77%; 31 December 2019: 5.04%)
2. WAULT to break and 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 the Group's future income.	18.3 years to break and 20.3 years to expiry at 31 December 2020 (30 June 2020: 19.5 years to break and 21.6 years to expiry; 31 December 2019: 20.0 years to break and 22.1 years to expiry)
3. Net Asset Value ('NAV') 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.	£68.17 million/84.68 pps at 31 December 2020 (30 June 2020: £67.29 million, 83.58 pps and 31 December 2019: £76.17 million, 94.63 pps)
4. Dividend Dividends declared in relation to the period.	The Company seeks to deliver a sustainable income stream from its portfolio, which it distributes as dividends.	2.25 pps for the half year ended 31 December 2020 (year ended 30 June 2020: 5.00pps; half year ended 31 December 2019: 2.75pps)
5. Adjusted EPS Adjusted EPS from core operational activities, as adjusted for non-cash items. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by cash earnings. See note 7 to the Consolidated Financial Statements.	This reflects the Company's generation of cash earnings from the portfolio which underpins dividends.	3.19 pps for the half year ended 31 December 2020 (year ended 30 June 2020: 4.25 pps; half year to 31 December 2019: 2.22 pps)
6. Leverage (Loan-to-GAV) 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).	36.6% at 31 December 2020 (30 June 2020: 37.0% and 31 December 2019: 34.5%)

EPRA Unaudited Performance Measures

Detailed below is a summary table showing the EPRA performance measures of the Group⁵

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
EPRA 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 by (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge how the valuation of two portfolios compare.	5.49 % at 31 December 2020 (30 June 2020: 5.72 % and 31 December 2019: 5.04%)
EPRA 'Topped-Up' NIY 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 stepped rents).	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge how the valuation of two portfolios compare.	7.04 % at 31 December 2020 (30 June 2020: 6.97% and 31 December 2019: 6.30%)
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.	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.	£68.17 million/84.68 pps at 31 December 2020 (30 June 2020: £67.29 million, 83.58 pps and 31 December 2019: £76.17 million, 94.63 pps)
EPRA Earnings/EPS Earnings from operational activities.	A key measure of a company's underlying operating results and an	£2.76 million/3.43 pps EPRA earnings for the half year ended 31 December 2020

	indication of the extent to which current dividend payments are supported by earnings.	(30 June 2020: £4.36 million/5.42 pps and 31 December 2019: £2.31 million/2.87 pps)
EPRA Vacancy		0%
Estimated Market 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 31 December 2020 (30 June 2020: 0% and 31 December 2019: 0%)
EPRA Cost Ratio		12.6%
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 as at 31 December 2020. The ratio is the same both including and excluding the vacancy costs. (30 June 2020: 21.1% and 31 December 2019: 16.3%)

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

⁵ The full calculations of these measures are set out in the EPRA Unaudited Performance Measures Calculations section following the financial statements

Investment Adviser's Report

Market Outlook

UK Economic Outlook

Lockdown measures introduced in early 2020 had a significant impact on the UK economy, with GDP falling over 20% between Q4 2019 and Q2 2020⁶. However, the gradual easing of these restrictions resulted in a stronger recovery than expected and GDP rose 15% between April and September, to be just 8% below pre pandemic levels⁶. The economic impact of lockdown measures implemented at the end of 2020 is likely to be less severe than the first lockdown. Now, more sectors have continued to operate and firms have generally been more prepared, having adapted their business models during the first lockdown. The extension of the Job Retention Scheme should also mitigate the upward pressure on unemployment whilst recently reported Government grants may help to protect some small to medium sized businesses.

Despite the impact of the pandemic, inflation is expected to rise close to the Bank of England's 2% target by the end of 2021, but to remain below target thereafter. Rising unemployment and weak inflationary pressure suggest that the Bank of England will not raise short term rates for the foreseeable future. The Bank of England announced a further expansion of its asset purchase programme (QE) that will ensure the government can increase gilt issuance without facing any substantial rise in borrowing costs.

Forecasts suggest that it is likely to be several years before the UK economy fully recovers to pre-pandemic levels. Whilst a steady recovery can be expected throughout 2021, the risk of sustained damage to some economic sectors (including retail, hotels, hospitality, aviation and tourism) means that there is a high level of uncertainty in the outlook, however, greater clarity over the timing of COVID-19 vaccine distribution will undoubtedly help the mapping of the route to recovery.

⁶ UK Real Estate Market Outlook, December 2020, CBRE.

UK Real Estate Outlook

Despite economic uncertainty, the UK property market continues to deliver healthy spreads over government bond yields, both in absolute terms and relative to other markets. A global pandemic, Brexit transition and ongoing economic slowdown, has seen central banks keep interest rates low, with the chance of negative rates in the UK now becoming a possibility. As a result, we expect to see yield stability for many property sectors as investors seek a safe haven offering attractive risk adjusted returns. Coupled with the weight of frustrated capital which has been unable to invest over the past year due to lockdown measures preventing in-person inspections, investment demand is likely to be bolstered as the UK enters its recovery phase with the potential to compress yields further in certain markets.

Sectoral change stimulated by the COVID-19 pandemic had a significant impact on specific markets during 2020, with high street retail, shopping centres and leisure assets being impacted most heavily by lockdown restrictions, whilst the extent of the impact to offices is yet to be fully understood. Conversely, the industrial and logistics sectors thrived during the year with the ongoing trend to e-retailing only being accelerated.

The property industry continues to benefit from strong competition amongst investors seeking long, inflation linked income. Those markets that offer bond like income streams or are linked to social infrastructure, such as distribution, last mile logistics, supermarkets and certain alternative income will continue to attract significant demand.

Financial Results

Rent and other income earned from the portfolio for the half year ended 31 December 2020 was £3.53 million (half year to 31 December 2019: £3.63 million; year to 30 June 2020: £7.81 million), contributing to an operating profit before fair value changes of £3.48 million (including the gain on sale of Wet 'n' Wild) (half year to 2019: £3.03 million; year to 30 June 2020: £5.80 million).

The portfolio has seen a gain of £0.27⁷ million in fair value of investment property over the period (half year to 31 December 2019: loss of £0.24 million; year to 30 June 2020: loss of £9.41 million).

Administrative and property operations expenses, which include the Investment Adviser's fee from 1 October 2020 and other costs attributable to the running of the Group, were £0.44 million for the period excluding service and direct recharges (half year to 31 December 2019: £0.61 million; year to 30 June 2020: £1.55 million). Annualised ongoing charges as a percentage of net asset value for the period were 1.14% (half year to 31 December 2019: 1.60%; year to 30 June 2020: 2.22%).

The Group incurred finance costs of £0.71 million during the period (half year to 31 December 2019: £0.72 million; year to 30 June 2020: £1.44 million).

The total profit before tax for the half year of £3.03 million (half year to 31 December 2019: profit before tax of £2.07 million; year to 30 June 2020: loss before tax of £5.05 million) equates to a basic earnings per share of 3.77 pence (half year to 31 December 2019: earnings of 2.57 pps; year to 30 June 2020: loss of 6.27 pps).

EPRA EPS for the half year was 3.43 pence which, based on dividends declared of 2.25 pence, reflects a dividend cover of 152.6% (half year to 31 December 2019: EPRA earnings of 2.87 pence, dividends declared of 2.75 pence and dividend cover of 104.4%; year to 30 June 2020: EPRA earnings of 5.42 pence, dividends declared of 5.00 pence and dividend cover of 108.4%).

Adjusted EPRA EPS for the period which equates to cash generated from operations (and therefore excludes movements in accrued rent debtors, reversal/impairment

of trade receivables and the amortisation of loan arrangement fees) were 3.19 pence which, based on dividends declared of 2.25 pence, reflect a dividend cover of 141.6% (half year to 31 December 2019: Adjusted earnings per share of 2.22 pence, dividends declared of 2.75 pence and dividend cover of 80.7%; year to 30 June 2020: Adjusted earnings per share of 4.25 pence, dividends declared of 5.00 pence and dividend cover of 85.0%).

The Group's NAV as at 31 December 2020 was £68.17 million or 84.68 pps (31 December 2019: £76.17 million or 94.63 pps; 30 June 2020: £67.29 million or 83.58 pps). This is an increase of 1.09 pps or 1.31% over the half year ended 31 December 2020, and a decrease of 9.95 pps of 11.75% over the year to 31 December 2020, with the underlying movement in NAV set out in the table below:

	Half year ended 31 December 2020		Half year ended 31 December 2019		Year ended 30 June 2020	
	Pence per share	£ million	Pence per share	£ million	Pence per share	£ million
NAV as at beginning of year/period	83.586	67.27	94.810	76.32	94.810	76.32
Portfolio acquisition costs	-	-	(0.027)	(0.02)	-	-
Change in fair value of investment property	0.336	0.27	(0.277)	(0.22)	(11.691)	(9.41)
Income earned for the year	4.380	3.53	4.514	3.63	9.702	7.81
Gain on sale of property ⁸	0.528	0.43	-	-	-	-
Finance costs for the year	(0.884)	(0.71)	(0.755)	(0.71)	(1.791)	(1.44)
Other expenses for the year	(0.591)	(0.47)	(0.888)	(0.61)	(2.494)	(2.01)
Dividends paid during the year	(2.675)	(2.15)	(2.750)	(2.22)	(4.950)	(3.98)
NAV as at the end of the year	84.680	68.17	94.627	76.17	83.586	67.29

⁷ the fair value increase includes accounting adjustments relating to rent smoothing of (£0.36m) and movement in finance lease obligation of (£0.02m).

⁸ the gain on the disposal of Wet 'n' Wild was £425,202 which after taking account of the corresponding reversal of rent smoothing for minimum uplifts of £115,568 is equivalent to 0.39 pence per share.

Valuation

The fair value of the Group's property portfolio (including the Wet 'n' Wild Water Park held for sale) reduced from £112.99 million (31 December 2019) to £104.76 million (30 June 2020). £6.15 million (74%) of this movement was driven by the leisure, gym and hotel properties, and a further £1.30 million (16%) was due to the automotive dealerships. These property sectors, both occupational and investment markets, were amongst the most adversely affected by the COVID-19 related lockdown in effect from 23 March 2020.

The property portfolio has seen a 3.60% increase in fair value to £108.53 million since the 30 June 2020 valuation. When account is taken for the disposal of Wet 'n' Wild and the acquisition of Droitwich Spa Retail Park the core portfolio has seen an increase of 1.83% in the half year ended 31 December 2020. The property portfolio outperformed the MSCI All Property index, which showed a 1.25% decrease in capital value growth for half year ended 31 December 2020.

Dividends

Total dividends of 2.25 pps have been declared for the half year (half year ended 31 December 2019: 2.75 pps). As announced on 4 February 2021, a quarter of the Group's rent is derived from the hotel and leisure industry, which has been adversely affected by the COVID-19 related lockdown measures enforced during 2020 and, indeed, most remain closed. As a result, the Group currently has arrears from this sector equal to c.8% of its 2020 rents, which, when combined with the remedial work that the Group completed in December 2020 to ensure that its property in Swindon conforms with current Building Regulations, has impacted the Group's cash position, resulting in a lower dividend declared on 4 February 2021 in respect of the final quarter of 2020.

The Board continues to target a resumption of a fully covered annual dividend of 5.5 pence per share², all else being equal, by September 2022.

Refer to Note 8 of the Consolidated Financial Statements for details.

Financing

As at 31 December 2020, the Group had fully utilised its £41 million loan facility with Canada Life Investments (31 December 2019 and 30 June 2020: £41 million facility utilised). This term facility, which is repayable on 20 October 2025, allows up to 40% 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% (31 December and 30 June 2020: 3.19%).

Summary by Sector as at 31 December 2020

Sector	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WALUT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)	ERV (%)
Industrial	4	21.55	19.9	100	24.8	1.49	1.44	20.8
Hotel	3	20.85	19.2	100	15.0	1.36	1.43	20.6
Healthcare	3	18.28	16.8	100	28.0	1.10	1.09	15.7
Automotive & Petroleum	3	17.80	16.4	100	11.5	1.13	1.11	16.0
Student Accommodation	1	12.30	11.3	100	20.6	0.66	0.65	9.4
Leisure	2	5.75	5.3	100	8.8	0.37	0.40	5.8
Power Station	1	5.15	4.8	100	11.2	0.30	0.30	4.3
Retail	1	4.75	4.4	100	6.5	0.40	0.38	5.5
Education	1	2.10	1.9	100	23.1	0.13	0.13	1.9

Total/Average	19	108.53	100.0	100	18.3	6.94	6.93	100.0
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Summary by Geographical Area as at 31 December 2020

Geographical Area	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WALUT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)	ERV (%)
West Midlands	4	26.50	24.4	100	13.8	1.84	1.80	25.9
The North West & Merseyside	2	21.65	19.9	100	36.3	1.22	1.18	17.0
Rest of South East	4	18.25	16.8	100	12.1	1.07	1.05	15.3
South West	2	12.60	11.6	100	24.8	0.68	0.81	11.7
Yorkshire and the Humber	2	11.68	10.8	100	13.0	0.81	0.80	11.5
Scotland	1	6.95	6.4	100	15.7	0.65	0.59	8.5
London	1	5.75	5.3	100	8.8	0.37	0.40	5.8
Eastern	3	5.15	4.8	100	11.2	0.30	0.30	4.3
Total/Average	19	108.53	100.0	100	18.3	6.94	6.93	100

The weighting of the Group's contracted rental income, based on the type of rent review associated with each lease is as follows: RPI inflation linked: 64.9%; CPI inflation linked: 22.1% and Open Market Value Reviews: 13.0%.

Top Ten Tenants

Tenant	Property	Annual Passing Rental Income (£'000)	% of Portfolio Total Passing Rental Income
Prime Life Limited	Lyndon Croft Care Centre, Solihull and Westerlands Care Village, Brough	680	9.8
Meridian Metal Trading Limited	Grazebrook Industrial Estate, Dudley and Provincial Park, Sheffield	669	9.6
Mears Group Plc	Bramall Court, Salford	655	9.4
Jupiter Hotels Limited	Mercure City Hotel, Glasgow	650	9.4
Motorpoint Limited	Motorpoint, Birmingham	500	7.2
Premier Inn Hotels Limited	Premier Inn, Camberley	449	6.5
Handsale Limited	Silver Trees, Bristol	417	5.7
Volkswagen Group UK Limited	Audi, Huddersfield	396	5.8
Hoddesdon Energy Limited	Hoddesdon Energy, Hoddesdon	300	4.3
B&M Bargains	Droitwich Spa Retail Park, Droitwich	272	3.9

The Group's top ten tenants, listed above, represent 71.9% of the total passing rental income of the portfolio.

Lease Expiry Portfolio

Year	Expiring passing rent pa (£'000)	Cumulative (£'000)
2021	-	-
2022	123	123
2023	286	409
2024	-	409
2025	396	805
2026	-	805
2027	905	1,709
2028	282	1,991
2029	272	2,263
2030	-	2,263
2031	-	2,263
2032	771	3,034
2033	364	3,398
2034	-	3,398
2035	-	3,398
2036+	3,544	6,942

Interim Management Report and Directors' Responsibility Statement

Interim Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal risks and uncertainties for the remaining half year of the financial year are set out in the Chairman's Statement and the Investment Adviser's Report above.

The principal risks facing the Company are unchanged since the date of the Annual Report and Financial Statements for the year ended 30 June 2020 as set out in that report on pages 21 to 25 and in Note 19 to the Financial Statements on pages 78 & 79.

Risks faced by the Company include, but are not limited to, tenant default, portfolio concentration, property defects, rate of inflation, property market, property valuation, illiquid investments, breach of borrowing covenants, use of service providers, dependence on the Investment Adviser, ability to meet objectives, Group REIT status, political/economic risks and Brexit.

Responsibility Statement

We confirm that to the best of our knowledge:

- the consolidated condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first half of the financial year and their impact on the consolidated condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining half of the year; and
 - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first half of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

A list of the Directors is maintained on the Company's website at www.alternativeincomereit.com

Steve Smith
Chairman

22 February 2021

Consolidated Condensed Statement of Comprehensive Income

For the half year ended 31 December 2020

	Notes	Half year ended 31 December 2020 (unaudited) £'000	Half year ended 31 December 2019 (unaudited) £'000	Year ended 30 June 2020 (audited) £'000
Income				
Rental and other income	3	3,526	3,634	7,810
Property operating expense	4	(88)	(68)	(515)
Net rental and other income		3,438	3,566	7,295
Other operating expenses	4	(388)	(539)	(1,492)
Operating profit before fair value changes		3,050	3,027	5,803
Gain on sale of investment property	15	425	-	-
Change in fair value of investment properties	9	270	(245)	(9,411)
Operating profit/ (loss)		3,745	2,782	(3,608)
Finance expense	5	(712)	(715)	(1,442)
Profit/ (loss) before tax		3,033	2,067	(5,050)
Taxation	6	-	-	-
Profit/ (loss) after tax		3,033	2,067	(5,050)
Other comprehensive income		-	-	-
Total comprehensive profit/ (loss) for the year		3,033	2,067	(5,050)

Earnings/ (loss) per share (pence per share) (basic and diluted)	7	<u>3.77</u>	<u>2.57</u>	<u>(6.27)</u>
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The notes further below form an integral part of these Consolidated Financial Statements.

Consolidated Condensed Statement of Financial Position

As at 31 December 2020

	Notes	As at 31 December 2020 (unaudited) £'000	As at 31 December 2019 (unaudited) £'000	As at 30 June 2020 (audited) £'000
Assets				
Non-current Assets				
Investment property	9	<u>106,551</u>	<u>111,966</u>	<u>100,273</u>
		106,551	111,966	100,273
Current Assets				
Receivables and prepayments	10	3,740	1,980	5,417
Cash and cash equivalents		<u>1,670</u>	<u>4,758</u>	<u>2,288</u>
		5,410	6,738	7,705
Non-current assets held for sale	15	<u>-</u>	<u>-</u>	<u>2,734</u>
Total Assets		<u>111,961</u>	<u>118,704</u>	<u>110,712</u>
Non-current Liabilities:				
Interest bearing loans and borrowings	12	(40,464)	(40,349)	(40,417)
Lease obligations	13	<u>(353)</u>	<u>(450)</u>	<u>(373)</u>
		<u>(40,817)</u>	<u>(40,799)</u>	<u>(40,790)</u>
Current Liabilities				
Payables and accrued expenses	11	(2,939)	(1,683)	(2,595)
Lease obligations	13	<u>(39)</u>	<u>(48)</u>	<u>(41)</u>
		<u>(2,978)</u>	<u>1,731</u>	<u>(2,636)</u>
Total Liabilities		<u>(43,795)</u>	<u>(42,530)</u>	<u>(43,426)</u>
Net Assets		<u>68,166</u>	<u>76,174</u>	<u>67,286</u>
Equity				
Share capital	17	805	805	805
Capital reserve and retained earnings		<u>67,361</u>	<u>75,369</u>	<u>66,481</u>
Total capital and reserves attributable to equity holders of the Group		<u>68,166</u>	<u>76,174</u>	<u>67,286</u>
Net Asset Value per share (pence per share)	7	<u>84.68</u>	<u>94.63</u>	<u>83.58</u>

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

The financial statements were approved by the Board of Directors on 22 February 2021 and were signed on its behalf by:

Steve Smith
Chairman

Company number: 10727886

Consolidated Condensed Statement of Changes in Equity

For the half year ended 31 December 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
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**For the half year ended 31
December 2020 (unaudited)**

Balance as at 1 July 2020	805	-	66,481	67,286
Total comprehensive income	-	-	3,033	3,033
Dividends paid	8	-	(2,153)	(2,153)
Balance as at 31 December 2020	805	-	67,361	68,166

**For the half year ended 31
December 2019 (unaudited)**

Balance as at 1 July 2019	805	-	75,516	76,321
Total comprehensive income	-	-	2,067	2,067
Share issue costs	-	-	-	-
Dividends paid	8	-	(2,214)	(2,214)
Balance as at 31 December 2019	805	-	75,369	76,174

**For the year ended 30 June 2020
(audited)**

Balance as at 1 July 2019	805	-	75,516	76,321
Total comprehensive loss	-	-	(5,050)	(5,050)
Dividends paid	8	-	(3,985)	(3,985)
Balance as at 30 June 2020	805	-	66,481	67,286

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

Consolidated Condensed Statement of Cash Flows

For the half year ended 31 December 2020

	Half year ended 31 December 2020 (unaudited) £ '000	Half year ended 31 December 2019 (unaudited) £ '000	Year ended 30 June 2020 (audited) £ '000
Cash flows from operating activities			
Profit/ (loss) after tax	3,033	2,067	(5,050)
Adjustment for			
Finance expenses	712	715	1,442
Gain on sale of investment property	(425)	-	-
Change in fair value of investment property	(270)	245	9,411
Increase in other receivables and prepayments	1,677	(828)	(4,262)
Increase/(decrease) in other payables and accrued expenses	342	(39)	694
Net cash flow generated from operating activities	5,069	2,160	2,235
Cash flows from investing activities			
Purchase of investment property	(5,007)	(27)	-
Additions to investment property	(1,101)	-	-
Disposal of investment properties	3,159	-	-
Net cash used in investing activities	(2,849)	(27)	-
Cash flows from financing activities			
Finance costs paid	(709)	(673)	(1,435)
Dividends paid	(2,129)	(2,221)	(4,031)

Net cash used in from financing activities	<u>(2,838)</u>	<u>(2,894)</u>	<u>(5,466)</u>
Net decrease in cash and cash equivalents	(618)	(761)	(3,231)
Cash and cash equivalents at start of period	2,288	5,519	5,519
Cash and cash equivalents at end of period	<u><u>1,670</u></u>	<u><u>4,758</u></u>	<u><u>2,288</u></u>

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

Notes to the Consolidated Condensed Financial Statements

for the half year ended 31 December 2020

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 registered in England and Wales. The registered office of the Company is located at 1 King William Street, London, EC4N 7AF.

The consolidated financial statements for the period ended 31 December 2020 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 June 2020 has been delivered to the Registrar of Companies. The auditor reported on those accounts. Its report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The financial statements for the period ended 31 December 2020 have not been audited or reviewed by the Company's Auditors.

2. Accounting policies

2.1 Basis of preparation

These interim consolidated condensed unaudited financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and should be read in conjunction with the Group's last financial statements for the year ended 30 June 2020. These consolidated condensed unaudited financial statements do not include all information required for a complete set of financial statements proposed in accordance with IFRS as adopted by the EU ("EU IFRS"). However, selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Group's financial position and performance since the last financial statements.

The comparative figures disclosed in the consolidated condensed unaudited financial statements and related notes have been presented for both the six-month period ended 31 December 2019 and year ended 30 June 2020.

Although not required by IAS 34, the comparative figures as at 31 December 2019 for the Consolidated Condensed Statement of Financial Position and for the year ended 30 June 2020 for the Consolidated Condensed Statement of Comprehensive Income, Consolidated Condensed Statement of Changes in Equity and Consolidated Condensed Statement of Cash Flows and related notes have been included on a voluntary basis.

These consolidated condensed unaudited financial statements have been prepared under the historical-cost convention, except for investment property that has been measured at fair value. The consolidated condensed unaudited 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 condensed unaudited financial statements for the half year ended 31 December 2020 incorporate the financial statements of the Company and its subsidiaries (the 'Group'). Subsidiaries are entities controlled by the Company, being Alternative Income Limited and Alternative Income REIT Holdco Limited. IFRS 10 outlines the requirements for the preparation of consolidated financial statements, requiring an entity to consolidate the results of all investees it is considered to control. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

New standards, amendments and interpretations

There are a number of new standards or amendments which are effective for the Group for the first time for the financial year beginning 1 January 2020.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted however the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).
- IFRS 17: Insurance Contracts.
- Classification of Liabilities as Current or Non-current (Amendment to IAS 1)
- Sale or Contribution of Assets between an Investor and its Associated or Joint Venture (Amendments to IFRS 10 and IAS 28)

New/Revised International Financial Reporting Standards

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

Effectivity
Deferred indefinitely

IFRS 17: Insurance Contracts

1 January 2021

2.2 Significant accounting judgements and estimates

The preparation of financial statements in accordance with EU IFRS requires the Directors of the Group 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 9.

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% for Q1 2021 and Q2 2021, decreasing to 70% in Q3 2021 and 60% in Q4 2021, and recovering to 70% in Q1 2022 and then to 80% in Q2 2022 and 90% in Q3 2022 and back to 100% by Q4 2022.
- 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 Q2 2023. 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 accounting policies and methods of computation and presentation adopted in the preparation of the interim financial statements are consistent with those applied in the Audited Financial Statements.

The Audited Financial Statements are available at www.alternativeincomereit.com.

3. Rental and other income

	Half year ended 31 December 2020 (unaudited) £'000	Half year ended 31 December 2019 (unaudited) £'000	Year ended 30 June 2020 (audited) £'000
Gross rental income	3,245	3,056	6,073
Service charges and direct recharges* (see note 4)	38	-	459
Spreading of rent indexation	284	286	720
Spreading of tenant incentives - rent free periods	(41)	292	558
Other property income	-	-	-
Total rental and other income	3,526	3,634	7,810

All rental, service charges and direct recharges and other income are derived from the United Kingdom.

*During the audit of the annual accounts of the Group, 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 period ended 31 December 2020 and year ended 30 June 2020. For the half year ended 31 December 2019, service charges and direct recharges were presented net, however these figures have not been restated as they were not material.

4. Expenses

	Half year ended 31 December 2020 (unaudited) £'000	Half year ended 31 December 2019 (unaudited) £'000	Year ended 30 June 2020 (audited) £'000
Property operating expenses	53	68	56
Service charges and direct recharges (see note 3)	35	-	459
	88	68	515
Other operating expenses			
Investment management fee	89	270	408
Auditor remuneration	58	42	120
(Reversal)/ provision for impairment of trade receivables	(3)	-	213
Operating costs	221	189	550
Directors' remuneration	38	38	94
(Reversal of write off)/ write off of unreconciled difference	(15)	-	107
Total other operating expenses	388	539	1,492
Total operating expenses	476	607	2,007

5. Finance expenses

	Half year ended 31 December 2020 (unaudited) £'000	Half year ended 31 December 2019 (unaudited) £'000	Year ended 30 June 2020 (audited) £'000
Interest payable on loan	656	658	1,315
Amortisation of loan arrangement fee (note 12)	47	56	124
Other finance costs	9	1	3
Total	712	715	1,442

6. Taxation

	Half year ended 31 December 2020 (unaudited) £'000	Half year ended 31 December 2019 (unaudited) £'000	Year ended 30 June 2020 (audited) £'000
Tax charge comprises:			
Analysis of tax charge in the period			
Profit/ (loss) before tax	3,033	2,067	(5,050)
Theoretical (tax credit)/tax at UK corporation tax standard rate of 19.00% (2019: 19.00%)	576	393	(960)

Adjusted for tax exempt items under the REIT regime:

Change in fair value of investment properties	(51)	-	1,788
Exempt REIT net profit	<u>(525)</u>	<u>(393)</u>	<u>(828)</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The Group obtained REIT status on 13 October 2017, at which point 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 and losses arising on the revaluation or disposal of investments.

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

	Half year ended 31 December 2020 (unaudited)	Half year ended 31 December 2019 (unaudited)	Year ended 30 June 2020 (audited)
Earnings/ (loss) per share:			
Total comprehensive profit/ (loss) (£'000)	3,033	2,067	(5,050)
Weighted average number of shares (million)	<u>80.5</u>	<u>80.5</u>	<u>80.5</u>
Earnings/ (loss) per share (basic and diluted) (pence)	<u>3.77</u>	<u>2.57</u>	<u>(6.27)</u>
EPRA EPS:			
Total comprehensive profit/ (loss) (£'000)	3,033	2,067	(5,050)
Adjustment to total comprehensive profit/ (loss):			
Change in fair value of investment properties (£'000)	<u>(270)</u>	<u>245</u>	<u>9,411</u>
EPRA earnings (basic and diluted) (£'000)	<u>2,763</u>	<u>2,312</u>	<u>4,361</u>
EPRA EPS (basic and diluted) (pence)	<u>3.43</u>	<u>2.87</u>	<u>5.42</u>
Adjusted EPS:			
EPRA earnings (basic and diluted) (£'000)	2,763	2,312	4,361
Adjustments:			
Rental income recognised in respect of guaranteed fixed rental uplifts (£'000)	<u>(284)</u>	<u>(286)</u>	<u>(720)</u>
Rental income recognised in respect of rent-free periods (£'000)	<u>41</u>	<u>(292)</u>	<u>(558)</u>
Amortisation of loan arrangement fee (£'000) (Reversal)/ provision for impairment of trade receivables (£'000)	<u>47</u>	<u>56</u>	<u>124</u>
	<u>(3)</u>	<u>-</u>	<u>213</u>
Adjusted earnings (basic and diluted) (£'000)	<u>2,564</u>	<u>1,790</u>	<u>3,420</u>
Adjusted EPS (basic and diluted) (pence)*	<u>3.19</u>	<u>2.22</u>	<u>4.25</u>
NAV per share:			
Net assets (£'000)	<u>68,166</u>	<u>76,174</u>	<u>67,286</u>
Ordinary Shares (million)	<u>80.5</u>	<u>80.5</u>	<u>80.5</u>
NAV per share (pence)	<u>84.68</u>	<u>94.63</u>	<u>83.58</u>

*Adjusted EPS is a measure used 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 NNNNAV (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.

8. Dividends paid

	Half year ended 31 December 2020 (unaudited) £'000	Half year ended 31 December 2019 (unaudited) £'000	Year ended 30 June 2020 (audited) £'000
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Fourth interim dividend declared and paid in respect of the quarter ended 30 June 2020 at 1.425p per Ordinary Share (2019: quarter ended 30 June 2019 at 1.375p per Ordinary Shares)	1,147	1,107	1,107
First interim dividend declared and paid in respect of the quarter ended 30 September 2020 at 1.25p per Ordinary Share (2019: quarter ended 30 September 2019 at 1.375p per Ordinary Share)	1,006	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	-	-	1,107
Third interim dividend declared and paid in respect of the quarter ended 31 March 2020 at 0.825p per Ordinary Share	-	-	664
Total dividends declared and paid during the period/year**	2,153	2,214	3,985
Fourth interim dividend declared in respect of the quarter ended 30 June 2019 at 1.375p per Ordinary Shares	-	(1,107)	(1,107)
Second interim dividend declared and paid in respect of the quarter ended 31 December 2020 at 1.00p per Ordinary Share* (2019: quarter ended 31 December 2019 at 1.375p per Ordinary Share)	805	1,107	-
Fourth interim dividend declared in respect of the quarter ended 30 June 2020 at 1.425p per Ordinary Share*	(1,147)	-	1,147
Total dividends in respect of the period/year	1,811	2,214	4,025

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

** Dividends paid per cash flow statement amount to £2,129 (£'000) include the amount of withholding tax paid.

9. Investment property

	Half year ended 31 December 2020 (unaudited)			Half year ended 31 December 2019 (unaudited)	Year ended 30 June 2020 (audited)
	Investment properties freehold £'000	Investment properties leasehold £'000	Total £'000	Total £'000	Total £'000
UK Investment property					
At the beginning of the period/year	87,130	14,780	101,910	112,990	112,990
Acquisition during the period/year	5,007	-	5,007	-	-
Addition to investment property	1,101	-	1,101	-	-
Reclassification between assets	(12,089)	12,089	-	-	-
Revaluation of investment property	542	70	612	333	(8,087)
Non-current asset held for sale (note 15)	-	-	-	-	(2,850)
Adjustment to cost*	-	-	-	(333)	(143)
Valuation provided by Knight Frank LLP	81,591	26,939	108,530	112,990	101,910
Adjustment to fair value for rent smoothing (note 10)			(2,466)	(1,522)	(2,224)
Reclassification to Non-current asset held for sale (note 15)			-	-	116
Adjustment for lease obligations			487	498	471
Total investment property			106,551	111,966	100,273

Change in fair value of Investment property

Change in fair value before adjustments for lease incentives and lease obligations	612	333	(8,087)
Movement in lease obligations	16	-	(46)
Adjustment to fair value for rent smoothing of lease income (including reversal as result of sale)	(358)	(578)	(1,278)
	<u>270</u>	<u>(245)</u>	<u>(9,411)</u>

*The adjustment on cost relates to the reversal of a provision raised in the prior period.

Valuation of investment property

Valuation of investment property is performed by Knight Frank LLP, accredited independent external valuers 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 discount rates applicable to those flows.

10. Receivables and prepayments

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) £'000	30 June 2020 (audited) £'000
Receivables			
Rent debtor	1,342	424	1,174
Less: Provision for impairment of trade receivables*	(210)	-	(213)
Other debtors	-	-	2,211
Total Receivables	<u>1,132</u>	<u>424</u>	<u>3,172</u>
Rent smoothing debtor - rent indexation	1,881	1,522	1,598
Rent smoothing debtor - rent free periods	585	-	626
Tenant deposit asset (note 11)	123	-	-
Other prepayments	19	34	21
Total	<u>3,740</u>	<u>1,980</u>	<u>5,417</u>

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

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) £'000	30 June 2020 (audited) £'000
Less than three months due	618	424	3,089
Between three and six months due	514	-	83
Between six and twelve months due	-	-	-
	<u>1,132</u>	<u>424</u>	<u>3,172</u>

11. Payables and accrued expenses

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) £'000	30 June 2020 (audited) £'000
Deferred income	1,443	1,018	1,265
Trade creditors	62	237	87
Accruals	618	-	395
Tenant deposit liability (note 10)	123	-	-

Other creditors	693	428	848
	<u>2,939</u>	<u>1,683</u>	<u>2,595</u>

12. Interest bearing loans and borrowings

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) £'000	30 June 2020 (audited) £'000
Facility drawn at the beginning of the period/year	<u>41,000</u>	<u>41,000</u>	<u>41,000</u>
Less: unamortised loan issue costs incurred	(583)	(686)	(686)
Less: adjustment on loan issue cost	-	(21)	(21)
Plus: amortised loan issue costs	<u>47</u>	<u>56</u>	<u>124</u>
At end of period/ year	<u>40,464</u>	<u>40,349</u>	<u>40,417</u>
Repayable between 1 and 2 years	-	-	-
Repayable between 2 and 5 years	-	-	-
Repayable in over 5 years	<u>41,000</u>	<u>41,000</u>	<u>41,000</u>
Total	<u>41,000</u>	<u>41,000</u>	<u>41,000</u>

As at 31 December 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 36.6%. The weighted average interest cost of the Group's facility is 3.19% and the facility is repayable on 20 October 2025.

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) £'000	30 June 2020 (audited) £'000
Reconciliation to cash flows from financing activities			
At the beginning of the period/year	40,417	40,314	40,314
Interest paid	(709)	(673)	(1,435)
Total changes from financing cash flows	<u>(709)</u>	<u>(673)</u>	<u>(1,435)</u>
Other changes			
Movement in interest payable presented under other creditors	(3)	(42)	(7)
Interest expense	712	715	1,442
Adjustment on loan issue costs	-	(21)	(21)
Amortisation of loan issue costs	<u>47</u>	<u>56</u>	<u>124</u>
Total other changes	<u>756</u>	<u>708</u>	<u>1,538</u>
At the end of the period/year	<u>40,464</u>	<u>40,349</u>	<u>40,417</u>

13. 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:

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) - restated £'000	30 June 2020 (audited) £'000
Within one year	50	48	50
After one year but less than five years	200	167	200

More than five years	538	283	563
Total undiscounted lease liabilities:	788	498	813
Less: Future finance charge on lease obligations	(396)	-	(399)
Present value of lease liabilities:	392	498	414

Lease liabilities included in the statement of financial position:

Current	39	48	41
Non-current	353	450	373
Total:	392	498	413

14. 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:

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) - restated £'000	30 June 2020 (audited) £'000
Less than one year	6,880	6,332	6,449
One to two years	6,947	6,758	6,603
Two to three years	7,101	6,754	6,626
Three to four years	7,187	6,841	6,729
Four to five years	6,966	6,934	6,758
Five to ten years	30,470	31,681	30,429
Ten to fifteen years	27,615	29,520	28,231
Over fifteen years	61,807	67,931	64,735
Total	154,973	162,751	156,559

During the half year ended 31 December 2020 (2019: £nil) there were no material contingent rents recognised as income.

15. Non-current assets held for sale

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) - restated £'000	30 June 2020 (audited) £'000
Assets held for sale			
Investment property - Wet 'n' Wild	-	-	2,734
Total	-	-	2,734

Details of the disposal of Wet 'n' Wild is as follows:

	Half year from 1 July 2020 to 31 December 2020 (unaudited) £'000	Half year from 1 July 2019 to 31 December 2019 (unaudited) £'000	Year ended 30 June 2020 (audited) £'000
Gain on sale of investment property	3,204	-	-
Gross proceeds on disposal	(45)	-	-
Selling costs	3,159	-	-
Net proceeds on disposal	-	-	-

Carrying value	(2,734)	-	-
Gain on disposal	425	-	-

In addition to above gain on sale, an amount of £115,568 relating to the property were released in the statement of comprehensive income under "rental and other income".

16. 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.

17. Issued share capital

	Half year ended 31 December 2020 (unaudited)		For the year ended 30 June 2020 (audited)	
	£'000	Number of Ordinary Shares	£'000	Number of Ordinary Shares
Ordinary Shares issued and fully paid				
At the beginning of the period/year	805	80,500,000	805	80,500,000
At the end of the period/year	805	80,500,000	805	80,500,000

18. 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 31 December 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 4.

Investment Manager

M7 Real Estate Ltd - from 14 May 2020 to date

M7 Real Estate Ltd was appointed as Investment Advisor on 14 May 2020. The Interim Investment Advisory agreement specifies that there are no fees payable up to 30 September 2020. From 1 October 2020, an annual management fee of 0.50% per annum of NAV (subject to a minimum fee of £90,000 per quarter) will be due and paid quarterly in advance. During the period 1 October 2020 to 31 December 2020, the Group incurred £90,000 in respect of investment management fees and expenses of which £nil was outstanding at period end.

AEW UK Investment Management LLP ("AEW UK") - from 1 July 2019 to 9 April 2020

The Group was party to an Investment Management Agreement, with AEW UK, pursuant to which the Group appointed AEW UK to provide investment management services relating to the respective assets on a day-to-day basis in accordance with their respective investment objectives and policies, subject to the overall supervision and direction of the Board of Directors.

Under the Investment Management Agreement, AEW UK received a management fee which was calculated monthly at a rate equivalent to 0.75% per annum of NAV (excluding un-invested fund-raising proceeds) and paid quarterly in arrears. During the period 1 July 2019 to 9 April 2020, the Group incurred £407,708 (half year ended 31 December 2019: £269,584, 30 June 2020: £nil) in respect of investment management fees and expenses of which £137,445 (31 December 2019: 134,576, 30 June 2020: £137,445) was outstanding at 31 December 2020.

19. Events after reporting date

Dividend

On 4 February 2021, the Board declared an interim dividend of 1.00 pps in respect of the period from 1 October 2020 to 31 December 2020. This will be paid on 26 February 2021 to shareholders on the register as at 12 February 2021. The ex-dividend date was 11 February 2021.

EPRA Unaudited Performance Measures Calculations

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) £'000	30 June 2020 (audited) £'000
Investment property - wholly owned	108,530	112,990	104,760
Allowance for estimated purchaser's costs	8,140	7,683	7,857
Gross up completed property portfolio valuation	116,670	120,673	112,617
Annualised cash passing rental income	6,460	6,117	6,496
Property outgoings	(55)	(40)	(55)
Annualised net rents	6,405	6,077	6,441
Add: notional rent expiration of rent free periods and fixed uplifts	1,812	1,531	1,407
EPRA 'topped-up' NIY	8,217	7,608	7,848
EPRA NIY	5.49%	5.04%	5.72%
EPRA 'topped-up' NIY	7.04%	6.30%	6.97%

EPRA NIY basis of calculation

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

The valuation of grossed up completed property portfolio is determined by Knight Frank as at 31 December 2020, plus an allowance for estimated purchasers' costs. Estimated purchasers' costs are determined by the relevant stamp duty liability, plus an estimate by our valuers of agent and legal fees on notional acquisition. The net rent deduction allowed for property outgoings is based on our valuers' assumptions on future recurring non-recoverable revenue expenditure.

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

Calculation of EPRA

Vacancy Rate

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) £'000	30 June 2020 (audited) £'000
Annualised potential rental value of vacant premises	-	-	-
Annualised potential rental value for the completed property portfolio	6,925	6,698	6,729
EPRA Vacancy Rate	0.00%	0.00%	0.00%

Calculation of EPRA Cost Ratios

	31 December 2020 (unaudited) £'000	31 December 2019 (unaudited) £'000	30 June 2020 (audited) £'000
Administrative/operating expense per IFRS income statement	388	539	1,491
Property operating expenses	53	50	56
EPRA Costs (including and excluding direct vacancy costs)	441	589	1,547
Gross Rental Income	3,526	3,616	7,351

EPRA Cost Ratio (including direct vacancy costs)	12.51%	16.29%	21.05%
EPRA Cost Ratio (excluding direct vacancy costs)	12.51%	16.29%	21.05%

Company Information

Share Register Enquiries

The register for the Ordinary Shares is maintained by Computershare Investor Services PLC. In the event of queries regarding your holding, please contact the Registrar on 0370 707 1874 or email: web.queries@computershare.co.uk.

Changes of name and/or address must be notified in writing to the Registrar, at the address shown below. You can check your shareholding and find practical help on transferring shares or updating your details at www.investorcentre.co.uk. Shareholders eligible to receive dividend payments gross of tax may also download declaration forms from that website.

Share Information

Ordinary £0.01 shares 80,500,000
 SEDOL Number BDVK708
 ISIN Number GB00BDVK7088
 Ticker/TIDM AIRE

Share Prices

The Company's Ordinary Shares are traded on the Main Market of the London Stock Exchange.

Frequency of NAV publication

The Group's NAV is released to the London Stock Exchange on a quarterly basis and is published on the Company's website www.alternativeincomeireit.com.

Annual and Interim Reports

Copies of the Annual and Interim Reports are available from the Group's website.

Financial Calendar

February 2021 Announcement of interim results
 30 June 2021 Year end
 October 2021 Announcement of annual results
 November 2021 Annual General Meeting
 31 December 2021 Half year end

Directors

Steve Smith (Independent non-executive Chairman)
 Jim Prower (Independent non-executive Director)
 Alan Sippetts (Independent non-executive Director)

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AIFM

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 EC4M 7RA

Property Manager

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 Liverpool
 L3 9AG

Corporate Broker

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 London
 EC4M 9AF

Legal Adviser to the Company

Travers Smith LLP
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 EC1A 2AL

Company Website

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Depository

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Investment Adviser and Administrator

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Consultant Portfolio Manager

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Company Secretary

Hanway Advisory Limited
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EC4N 7AF

Registrar

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Auditor

KPMG LLP
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E14 5GL

Valuer

Knight Frank LLP
55 Baker Street
London
W1U 8AN

Communications Advisor

Maitland/AMO
3 Pancras Square
London
N1C 4AG

Glossary

**Alternative Investment
Fund Manager or AIFM
or Investment Manager**

Langham Hall Fund Management LLP.

Annualised charges

A measure of the Group's annualised operating costs for the period as a percentage of NAV.

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 NNAV	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 ('GAV')	The aggregate value of the total assets of the Group as determined in 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 incentives 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 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 before first break, or expiry, across the portfolio weighted by contracted rental income (including rent frees).

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