Alternative Income REIT PLC

RESULTS FOR YEAR ENDED 30 JUNE 2021

Released : 30 September 2021 7:00

RNS Number : 4596N
Alternative Income REIT PLC
30 September 2021

THE INFORMATION CONTAINED IN THIS ANNOUNCEMENT IS RESTRICTED AND IS NOT FOR PUBLICATION, RELEASE OR DISTRIBUTION IN THE UNITED STATES OF AMERICA, ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, CANADA, AUSTRALIA, JAPAN OR THE REPUBLIC OF SOUTH AFRICA.

30 September 2021

ALTERNATIVE INCOME REIT PLC

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

Annual Report and Financial Statements for the year ended 30 June 2021

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 annual report and financial statements for the year ended 30 June 2021.

Financial Highlights

- Net Asset Value ('NAV') of £68.89 million, and of 85.58 pence per share ('pps') as at 30 June 2021 (30 June 2020: £67.29 million and 83.58 pps).
- Operating profit of £6.31 million (before fair value changes) for the year (year ended 30 June 2020: £5.80 million).
- Profit before tax of £5.57 million, profit per share of 6.92 pps for the year (year ended 30 June 2020: loss before tax of £5.05 million, loss per share of 6.27 pps, primarily due to write-downs of property valuations).
- EPRA Earnings per share[1] ('EPS') for the year were 5.55 pps (year ended 30 June 2020: 5.42 pps).
- Adjusted EPS[1] for the year, which reflect cash earnings, were 5.07 pps with dividend cover of 99% (year ended 30 June 2020: 4.25 pence per share; dividend cover of 85%).
- Total dividends of 5.14 pps declared in respect of the year (year ended 30 June 2020: 5.0 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 71.00 pps as at 30 June 2021 (30 June 2020: 53.50 pps).
- As at 30 June 2021, the Group had a £41.0 million loan facility with Canada Life Investments and was geared to 36.3% of the Gross Asset Value ('GAV') (30 June 2020: £41.0 million, gearing of 37.0%).
- For the year ended 30 June 2021, non-property operating expenses were £0.88 million (30 June 2020: £1.49 million), representing a 41% reduction, or 35% reduction after allowing for the period during which M7 did not charge an investment advisory fee and as a result of the Board taking a disciplined approach to cost management.
- Ongoing charges of 1.27% as at 30 June 2021 (30 June 2020: 2.22%).

Operational Review

- To date, the Group has collected 97.8% of all rent demanded since the beginning of the COVID-19 pandemic, with the remaining 2.2% to be collected through payment plans throughout 2021 and 2022; further information can be found in the Investment Adviser's Report.
- As at 30 June 2021, the Group's property portfolio had a fair value of £109.23 million across 19 properties (30 June 2020: £104.76 million, 19 properties including the Wet 'n' Wild Water Park held for sale). As at 30 June 2021, when looking at the core 18 assets that have been held over the last 12 months, the property portfolio had a fair value of £104.08 million (30 June 2020: £101.91 million).
- Weighted average unexpired lease term ('WAULT') of 17.8 years to the earlier of break and expiry (30 June 2020: 19.5 years) and 19.8 years to expiry (30 June 2020: 21.6 years).
- Rent recognised during the year was £7.21 million (30 June 2020: £7.35 million), of which, £0.49 million was accrued debtors for the combination of minimum uplifts and rent-free period (30 June 2020: accrued debtors of £1.28 million). The number of tenants as at 30 June 2021 was 22 (30 June 2020: 21).
- 87.0% of the Group's income is inflation linked to Retail Price Index ('RPI') or Consumer Price Index ('CPI').
- As at 30 June 2021, the portfolio had gross passing rental income of £6.97 million (30 June 2020: £6.79 million).
- As at 30 June 2021, the asset valuations and rental income of the 17 properties secured to Canada Life would have needed to fall by 18% and 24% respectively before breaching the Loan to Value and Income Cover Cash Trap covenants respectively.
- EPRA Net Initial Yield ('NIY') of 5.94% as at 30 June 2021 (30 June 2020: 5.72%)[2].

Post balance sheet events

On 2 August 2021, the Board declared an interim dividend of 1.64 pence per share in respect of the period from 1 April 2021 to 30 June 2021. This was paid on 31 August 2021 to shareholders on the register as at 13 August 2021. The ex-dividend date was 12 August 2021.

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/2021

Alan Sippetts, Non-Executive Chairman of Alternative Income REIT plc, comments:

"The fundamentals of certain property sectors in the UK appear robust and the Group's portfolio has proved resilient throughout the challenges of the COVID-19 pandemic, underpinned by robust rent collection and over 87% of our leases with inflation linked upwards only rent reviews. Furthermore, the Company's share price has substantially increased by 32.7% to 71 pence as at 30 June 2021 (as at 30 June 2020: 53.5 pence per share) narrowing the discount to our NAV.

We are pleased therefore that we were able to declare an increased dividend to shareholders, which is testament to the Board's confidence in the long-term value we can deliver to our shareholders and underlines the continuing strength of the Group's collection of rent from our 100% let portfolio. Taken together with our robust balance sheet, much reduced overhead and with 87% of our portfolio's leases with inflation linked upwards only rent reviews, the Board remains confident that the Group will provide attractive total returns to our shareholders principally in the form of fully covered dividends but also through other opportunistic initiatives, supported by our Investment Adviser."

Notes

1. See Note 8 of the Consolidated Financial Statements, glossary on pages 91 to 92 of the Annual Report (AR) for definitions and abbreviations and page 8 for Key Performance Indicators and their definitions.
2. 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 89 of the AR.

ENQUIRIES

Alternative Income REIT PLC Alan Sippetts - Chairman	via Maitland/AMO below
M7 Real Estate Ltd Richard Croft	+44 (0)20 3657 5500
Panmure Gordon (UK) Limited Alex Collins Tom Scrivens Chloe Ponsonby	+44 (0)20 7886 2500
Maitland/AMO (Communications Adviser) James Benjamin	+44(0) 7747 113 930 james.benjamin@maitland.co.uk

The Company's LEI is 213800MPBIJS12Q88F71.

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 2021, my first as Chairman.

In March 2021, when it was announced that I would assume the role of Chairman, it appeared that the UK vaccination programme had begun to turn the tide on the challenges of the COVID-19 pandemic. The Group's portfolio has proved resilient throughout the challenges of the COVID-19 pandemic. We are pleased therefore that we were able to declare an increased dividend to shareholders, underlining the continuing strength of the Group's collection of rent from our 100% let portfolio. Taken together with our robust balance sheet, much reduced overhead and with 87% of our portfolio's leases with inflation linked upwards only rent reviews, the Board remains confident that the Group will provide attractive total returns to our shareholders principally in the form of fully covered dividends.

I would like to take the opportunity to thank my predecessor Steve Smith for his significant contribution to the Company since its IPO in June 2017. He left the business and portfolio well positioned for the better times that we expect to lie ahead, and he departed with our best wishes. At the same time as my own appointment as Chairman, we also welcomed Adam C Smith to the Board as a Non-Executive Director. Adam's appointment followed a request from the Company's largest shareholder, Glenstone Property plc, for representation on the Board. Adam has extensive property and investment experience and I welcome the constructive contribution Adam has made. It also followed open and transparent engagement with shareholders following the failure to carry the resolution to adopt the proposed changes to the Investment Policy at the 2020 AGM.

The Board has delivered on the commitments it made following our earlier engagement with shareholders, focusing on reducing the Group's operating cost base, pursuing other initiatives within the Group's current portfolio of assets, while seeking to maximise rent collection, income distribution and total returns to shareholders.

Further, as announced on 29 September 2021, following a comprehensive and thorough recruitment process supported by external consultants, we have also welcomed Stephanie Eastment to the Board as a Non-Executive Director and Audit Chair with effect from 1 October 2021. As part of a planned succession process, Jim Prower will resign as a Non-Executive Director and Audit Chair on 1 October 2021. I would like to express my sincere thanks to Jim for his significant and invaluable contribution, insights and unwavering commitment since IPO, and he leaves with the Board's very best wishes for the future.

During the year, we completed the disposal of the Wet 'n' Wild Water Park, North Shields ("Wet 'n' Wild"). The disposal was at a significant premium to cost and book value, and subsequently we redeployed the proceeds through the acquisition of the Droitwich Spa Retail Park, at a yield of 7.95% 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. Also, importantly, it provided the potential to deliver excellent long term returns for shareholders. Following that acquisition, the Group has been fully invested and holds a diverse portfolio of UK commercial property assets with a weighted average unexpired lease term of 17.8 years (30 June 2020: 19.5 years) to the earlier of break and expiry and 19.8 years (30 June 2020: 21.6 years) to expiry.

That acquisition was the first introduced by our Investment Adviser, M7 Real Estate Limited ("M7"). Since their initial appointment in May 2020, the Board has been pleased with the performance of M7 and on 1 April 2021 extended the Investment Advisory Agreement under which M7 provide the Group with investment advice, fund accounting and administration services. The agreement has provided the Group with certainty and stability of high quality services and advice in a cost-effective manner. M7 and our Property Manager, Mason Owen, also undertook several asset management initiatives during the year that underlined the Group's supplemental strategy of value enhancement led by active management. Further information can be found below.

A year ago, we said that we would substantially reduce costs and these results demonstrate the delivery of these actions. Year on year, all non-property operating expenses, together with auditor fees were reduced by £616,000 a reduction of 41%. This overall reduction included a period during which M7 did not charge an investment advisory fee, which when added back would produce a like-for-like reduction of 35%. Despite the environment caused by the COVID-19 pandemic and the negative impact upon rent collection seen across the industry, in aggregate dividends of 5.14 pence per share have been paid as Property Income Distribution in respect of the year ended 30 June 2021, representing an increase of 2.8% against the prior financial year. For the year ended 30 June 2021, adjusted cash earnings were 5.07 pence per share with dividend cover of 99% (year ended 30 June 2020: 4.25 pence per share; dividend cover of 85%). Our focus remains on generating a progressive cash covered dividend from the Group's fully invested portfolio. Our recent dividend increase is testament to the Board's confidence in the long-term value we can deliver to our shareholders.

The actions undertaken in the past year reaffirm the Board's confidence that the Group is well positioned for the opportunities ahead. Our continued strong rent collection from our 100% let portfolio, robust balance sheet, well controlled overheads and with 87% of our portfolio's leases with inflation linked upwards only rent reviews give us confidence that the Group can provide attractive total returns to our shareholders.

Portfolio Performance
The near full deployment of the Group's funds for the whole year resulted in headline rent of circa £7.21 million during the year (30 June 2020: £7.35 million), of which, £0.49 million was accrued debtors for the combination of minimum contracted uplifts and rent-free periods (30 June 2020: accrued debtors of £1.28 million).

As at 30 June 2021, the Group's property portfolio had a fair value of £109.23 million (30 June 2020: £104.76 million). The portfolio had a net initial yield of 5.93% (30 June 2020: 5.77%), a WAULT to the first break of 17.8 years (19.8 years to expiry).

Financial Results

	Year ended 30 June 2021	Year ended 30 June 2020
Operating profit before fair value changes [£'000]	6,311	5,803
Operating profit/(loss) [£'000]	6,993	(3,608)
Profit/(loss) before tax [£'000]	5,572	(5,050)
Profit/(loss) per share - basic and diluted [pence]	6.92	(6.27)
EPRA EPS - basic and diluted [pence]	5.55	5.42
Adjusted EPS [pence]	5.07	4.25
Net Asset Value per share [pence]	85.58	83.58
EPRA Net Asset Value per share [pence]	85.58	83.58

The Group's operating profit before fair value changes for the financial year was £6.31 million (30 June 2020: £5.80 million).

Basic profit per share for the financial year was 6.92 pence (30 June 2020: loss per share: 6.27 pence). Adjusted EPS, as calculated in Note 8, for the financial year were 5.07 pence (30 June 2020: 4.25 pence).

Under European Public Real Estate Association ('EPRA') methodology, EPS for the financial year was 5.55 pence (30 June 2020: 5.42 pence). A full list of EPRA performance figures can be found below.

The audited NAV per share as at 30 June 2021 was 85.58 pence (30 June 2020: 83.58 pence).

The Group has ongoing charges of 1.27% (30 June 2020: 2.22%) 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 18.4% (30 June 2020: 21.1%).

Financing
As at 30 June 2021, the Group had fully utilised its £41.0 million loan facility with Canada Life Investments (30 June 2020: fully utilised). The weighted average interest cost of the Group's facility is 3.19% and the loan is repayable on 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[1].

Dividends
The Group declared two interim dividends of 1.25 pps each, one interim dividend of 1.00 pps and a fourth interim dividend of 1.64 pps in respect of the financial year, totalling 5.14 pps (year ended 30 June 2020: four dividends totalling 5.00 pps), representing an increase of 2.8% against the prior financial year and ahead of inflation for the period. This underlines 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.

In light of the circumstances affecting global economies and markets and the Group's rental collection levels the Board considered it prudent to reduce the dividend for the first three quarter rent payments of the year. For the quarter ended 30 June 2021, the Board declared an increased dividend on the previous three quarters of 1.64 pps, underlining the continuing strength of the Group's collection of rent from our 100% let portfolio.

Outlook
The fundamentals of certain property sectors in the UK appear robust and the Group's portfolio has proved resilient throughout the challenges of the COVID-19 pandemic, underpinned by robust rent collection and over 87% of our leases with inflation linked upwards only rent reviews. Furthermore, the Company's share price has substantially increased by 32.7% to 71 pence as at 30 June 2021 (as at 30 June 2020: 53.5 pence per share) narrowing the discount to our NAV.

As we look ahead, the Board remains confident that the Group will provide attractive total returns to our shareholders. This will principally take the form of fully covered dividends but also through other opportunistic initiatives, supported by our Investment Adviser.

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

Alan Sippetts
Chairman
29 September 2021

Note

1. As at 30 June 2021, the redemption fee would have been £3,467,127 (30 June 2020: £5,261,651).

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.

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 AIFM, as advised by the Investment Adviser, 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 AIFM, as advised by the Investment Adviser, 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 AIFM's (as advised by the Investment Adviser) 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 12-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.

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')		**5.93%**
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 2021 (30 June 2020: 5.77%)

2. Weighted Average Unexpired Lease Term ('WAULT') to break and expiry		**17.8 years to break and 19.8 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 2021 (30 June 2020: 19.5 years to break and 21.6 years to expiry)
3. Net Asset Value ('NAV')		**£68.89 million (85.58 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 2021 (30 June 2020: £67.29 million, 83.58 pps)
4. Dividend		**5.14 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 2021 (30 June 2020: 5.00 pps)
5. Adjusted EPS		**5.07 pps**
Adjusted EPS from core operational activities, as adjusted for non-cash items. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See Note 8 to the Consolidated Financial Statements.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	For the year ended 30 June 2021 (30 June 2020: 4.25 pps)
6. Leverage (Loan-to-GAV)		**36.30%**
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 2021 (30 June 2020: 37.0%)

EPRA Unaudited Performance Measures

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
EPRA NIY		**5.94 %**
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 2021 (30 June 2020: 5.72%)
EPRA 'Topped-up' NIY		**6.95 %**
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	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 2021 (30 June 2020: 6.97%)

rents).

EPRA NAV		**£68.89 million/85.58 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 2021 (30 June 2020: £67.29 million/83.58pps)
EPRA Earnings/EPS		**£4.47 million/5.55 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 2021 (30 June 2020: £4.36 million/ 5.42pps)
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 2021 (30 June 2020: 0.00%)
EPRA Cost Ratio		**18.4 %**
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 2021 (30 June 2020: 21.1%)
EPRA Net Reinstatement Value		**£72.53 million/90.09pps**
The EPRA NRV adds back the purchasers' costs deducted from the EPRA NAV and deducts the break cost of bank borrowings.	A measure that highlights the value of net assets on a long-term basis.	EPRA NRV for the year ended 30 June 2021 (30 June 2020: £69.88million/86.81pps)
EPRA Net Tangible Assets		**£65.43 million/81.27pps**
The EPRA NTA deducts the break cost of bank borrowings from the EPRA NAV.	A measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability. The Group has UK REIT status and as such no deferred tax is required to be recognised in the accounts.	EPRA NTA for the year ended 30 June 2021 (30 June 2020: £62.02 million/77.05pps)
EPRA Net Disposal Value		**£65.43 million/81.27pps**
The EPRA NDV deducts the break cost of bank borrowings from the EPRA NAV.	A measure that shows the shareholder value if assets and liabilities are not held until maturity.	EPRA NDV for the year ended 30 June 2021 (30 June 2020: 62.02 million/77.05pps)

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

The previous Investment Adviser's Report spoke in detail about changing the Group's investment principles, and whilst these remain closely monitored, the 12 months to June 2021 presented other obstacles, primarily COVID-19.

The current 19 assets, following the sale of Wet 'n' Wild on 31 July 2020 and the acquisition of Droitwich Spa Retail Park on 2 December 2020, continue to provide investors with long high yielding income, on average of c.18 years of which c.87% is linked to inflationary growth, adding 1.64% to income profile this year. The portfolio also provides investors with exposure to a diverse range of alternative investment sectors.

Through continued asset management and engagement with tenants, the portfolio has shown resilience to the impact of the COVID-19 pandemic and national lockdowns experienced by others. As at the June 2021 quarter day, 20% of the tenants are contractually invoiced monthly, whilst the remaining 80% are invoiced quarterly. Since the beginning of the COVID-19 pandemic, which for the purposes of this report is assumed to be 25 March 2020 (quarter day), the Group has collected 97.8% of all rent demanded, with the remaining 2.2% to be collected through payment plans over the next 12 months as outlined below.

During the year the Group completed the disposal of Wet 'n' Wild, North Shields at a significant premium to book value, and subsequently the proceeds were reinvested with the acquisition of 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 acquisition was the first introduced by M7 since appointment in May 2020. Following the performance by M7 in the delivery of services to the Company, the Board made the decision on 1 April 2021 to extend the Investment Advisory Agreement under which M7 will continue to provide the Company with investment advice, fund accounting and administration services.

The portfolio's resilience over the past year and its improving returns gives M7 optimism as to future performance.

Market Outlook

UK Economic Outlook

The beginning of 2021 has seen the UK agree a deal for parting ways with EU and work its way through its third national lockdown. Moreover, with the significant achievements of the vaccination programme, the UK is gradually following the government's steps for reopening the economy. Recent data shows improvement in retail spending and there are now renewed expectations for a medium-term recovery.

In early Q2 2021, it was reported that GDP growth figures supported a faster than expected return to normality due to large parts of the economy reopening and a successful vaccination programme. Economic growth is forecast to continue an upward trend and was projected to result in an 8.0% year-on-year expansion in GDP in 2021. However, the rapid economic recovery from this year's COVID-19 restrictions hit the buffers in July as GDP rose by 0.1% month on month (m/m). That was weaker than the 1.0% m/m increase in June and was smaller than the consensus forecast of a 0.7% m/m gain.

Government stimulus, particularly through the furlough scheme, has been successful in softening the economic blow, with unemployment and the reduction in UK household income both less severe than expected. A substantial number of people have also left the labour force in the last year, which has made the impact appear less acute. As of June 2021, unemployment stands at 4.7%, it is likely that this will increase as the furlough scheme approaches its September 2021 end date. Nevertheless, employment is set to recover quicker than it has previously following other recessions since the economy's potential has not been permanently damaged.

The latest inflation data reported a jump in CPI from 2.1% in May to 2.5% in June 2021. The level of increase since Q1 2021 exceeded economists' expectations. However, they did project potential spikes as the economy reopened and as energy related effects took place. Inflation is expected to peak at 4.0% by the end of the year but will not stabilise to pre-pandemic levels until 2023, when inflation is set to be supported by a robust economic recovery. We have seen a strong monetary stimulus with interest rates decreasing to 0.1% and high levels of QE set to take place until the end of 2021. Capital Economics does not anticipate that the BoE will shift from the current interest rates at least until the end of 2022.[1]

UK Real Estate Outlook

The collection of commercial property rents, as calculated seven days after the June 2021 Quarter due date, reached the highest level achieved for any quarter during the pandemic so far at 66.5%[2]. This compares to a figure of 50.7% for the same period in 2020 and 60.5% for the March 2021 quarter.

Overall, the alternative and long-income space has fared better than expected during the global pandemic. Whilst this is in part due to various fiscal support measures implemented by the UK government, it does also stand testament to the secure and stable income streams that investment in long income and alternatives sectors offer.

Despite the headwinds witnessed during the last 18 months, occupancy and rent collection in the living sector have been largely resilient. Whereas, the student housing, hospitality and leisure sectors have been more severely affected, resulting from lockdown measures and restrictions on international travel. There is, however, a renewed sense of optimism surrounding these sectors, driven largely by increasing vaccination rates; however, progress is mixed.

The latest investment volume data for 2021 demonstrates a stable recovery, with the monthly figure now within 10.0% of the five-year average. This is particularly encouraging given that the year end volume for 2020 (£42.7bn) was 15.0% below the 2019 figure and the lowest annual volume since 2012. The investment volume for 2020 was largely buoyed by the fourth quarter, which contributed £19.4bn, a 6.0% increase compared Q4 2019.[3]

The 'All Property Yield' as of May 2021 is ca. 5.2% compared to ca. 5.3% at the same time last year. This has largely been driven by e-commerce which continues to strengthen, propelling demand for multi-let industrial, distribution warehouses and retail warehouses. This in turn has resulted in hardening of transaction yields and growth in investment volumes. Specifically, multi-let industrial has seen 100bps compression compared with the pre-lockdown prime yield, now standing at 3.5% (in line with west end offices). Office and hospitality property transactions remain scarce but reportedly there are signs of recovery with prime yields at 5.0% and 5.3% for provincial offices and regional pubs respectively. Shopping centres, however, remain under pressure having seen yields move out by 150bps year on year to 6.8%.[4]

It is expected that investment activity will recuperate in the second half of 2021, following the easing of lockdown restrictions. Additionally, according to RICS commercial survey (Q1 2021) most surveyors reported a rise in investment enquiries. However, factors such as debt availability will likely weigh on investors as lenders will become more cautious.[5]

The outlook for 2021 investment volumes stands just above £50.0bn, which is a ca. 20.0% increase from 2020. It is expected that upcoming investment themes will include the rebalancing of portfolios away from underperforming sectors such as retail and secondary offices. In return, investors are increasingly targeting the alternative sectors, such as life sciences and data centres. These specialised sectors have proved to be resilient throughout the COVID-19 pandemic. Globally, investors see the UK as a leader in life sciences and thus, they are increasingly keen to deploy capital. Data centres are also receiving increased attention, underpinned by demand for flexible work patterns and cloud computing. Lastly, there is also a growing interest from investors in operational assets and the living sector.[6]

A global pandemic, Brexit transition and ongoing economic slowdown has seen central banks keep interest rates low. 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. This, coupled with post-pandemic inflationary pressure is further securing the appeal of index-linked income, as well as growth sectors linked to social infrastructure such as distribution, last-mile logistics, supermarkets, and the living sector.

Portfolio Activity during the Year

The following asset management initiatives were undertaken during the year:

- **Rent Reviews:** A total of nine rent reviews took place during the period with a combined uplift of £106,372 representing a 1.64% increase in contracted rent across the portfolio.
- **Droitwich:** Droitwich Spa Retail Park was acquired for £4.75 million on 2 December 2020.
- **Dudley:** Licence to Alter is imminent in respect of a major investment by Meridian Steel in their Dudley operation. They are spending circa £3.5m on new machinery and cranes.
- **Huddersfield:** Network Rail are proposing electrification of the adjacent rail track. Part of the property, adjacent to the road, is identified for compulsory purchase.
- **Pocket Nook Estate, St Helens:** Discussions are ongoing with Boulting Group for a lease extension of 3/5 years on expiry of their lease in April 2022 at an increased rent. Terms have also been agreed for Boulting Group to take occupation of part of Mr Tox's yard, following his part surrender. Ayrshire Metals have closed their operation in St Helens. They have limited alienation provisions so a joint disposal together with a split of the marriage value is being negotiated.
- **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. As part of the CVA the landlord has been able to extend the lease by 36 months. 100% rent becomes due from 1 January 2022. 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. The work completed in December 2020 at a cost (including professional fees) of c.£1.1 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.
- **North Shields, Wet 'n' Wild** was sold for £3 million on 31 July 2020.

Financial Results

Net rental income earned from the portfolio for the year was £7.21 million excluding service charge and direct recharge (30 June 2020: £7.35 million), contributing to an operating profit before fair value changes of £6.31 million (30 June 2020: £5.80 million).

The portfolio has seen a gain of £0.68 million in fair value of investment property during the year (30 June 2020: loss of £9.41 million).[7]

Administrative and property operations expenses, which include the Investment Manager's fee and other costs attributable to the running of the Group, were £1.32 million for the year excluding service and direct recharges (30 June 2020: £1.55 million). Ongoing charges as a percentage of net asset value for the year were 1.27% (30 June 2020: 2.22%).

The Group incurred finance costs of £1.42 million during the year (30 June 2020: £1.44 million).

The total profit before tax for the year of £5.57 million (30 June 2020: loss before tax of £5.05 million) equates to a basic profit per share of 6.92 pence (30 June 2020: loss of 6.27 pence).

EPRA EPS for the year was 5.55 pence which, based on dividends declared of 5.14 pence, reflects a dividend cover of 108.0% (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 year which equates to cash generated from operations (and therefore excludes movements in accrued minimum contracted uplifts, the amortisation of loan arrangement fees and movements in the provision for impairment of trade receivables) were 5.07 pence which, based on dividends declared of 5.14 pence, reflect a dividend cover of 98.6% (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 30 June 2021 was £68.89 million or 85.58 pps (30 June 2020: £67.29 million or 83.58 pps). This is an increase of 2.00 pps or 2.4 % over the year, with the underlying movement in NAV set out in the table below:

	Year ended 30 June 2021		**Year ended 30 June 2020**	
	Pence per share	**£ million**	**Pence per share**	**£ million**
NAV as at beginning of year	83.58	67.29	94.81	76.32
Gain on disposal of investment property	0.53	0.42	-	-
Change in fair value of investment property	0.85	0.68	(11.69)	(9.41)
Income earned for the year	9.20	7.41	9.70	7.81
Finance costs for the year	(1.77)	(1.42)	(1.79)	(1.44)
Other expenses for the year	(1.89)	(1.52)	(2.50)	(2.01)
Dividends paid during the year	(4.92)	(3.97)	(4.95)	(3.98)
NAV as at the end of the year	**85.58**	**68.89**	**83.58**	**67.29**

Improvement in valuation

There has been an overall 4.3% increase in the portfolio valuation since 30 June 2020. When removing Droitwich Spa Retail Park, Droitwich and analysing the core 18 assets that were held over the period, this figure becomes 2.1%. There have been valuation improvements across the portfolio's industrial assets, as this is an asset class that has continued to perform well during the COVID-19 pandemic. Additionally, there has been a £1.7 million increase in value at Travelodge, Swindon predominantly driven by the completion of the cladding rectification works.

Dividends

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

Financing

As at 30 June 2021, the Group had fully utilised its £41 million loan facility with Canada Life Investments (30 June 2020: £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% (30 June 2020: 3.19%).

Notes

1. Capital Economics - UK Economic Outlook 15th April 2021.
2. REMark Report July 2021, Remit Consulting
3. JLL - UK Capital Markets Review & Outlook 2020/2021
4. Savills - UK Commercial, Market in Minutes - May 2021
5. Capital Economics - UK Commercial Property 30 April 2021
6. JLL - UK Capital Markets Review & Outlook 2020/2021
7. The fair value decrease includes accounting adjustments relating to rent smoothing of (£0.60m) and movement in finance lease obligation of £0.05m.

Summary by Sector as at 30 June 2021

Sector	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)	(%)
Industrial	4	22.15	20.3	100	24.0	1.51	1.44	20.8
Hotel	3	20.85	19.1	100	14.5	1.37	1.43	20.6
Automotive & Petroleum	3	17.40	15.9	100	11.0	1.13	1.11	16.0
Healthcare	3	18.38	16.8	100	27.5	1.10	1.10	15.8
Student Accommodation	1	12.30	11.3	100	20.1	0.66	0.65	9.6
Leisure	2	5.75	5.3	100	8.3	0.37	0.39	5.6
Retail	1	5.15	4.7	100	6.0	0.40	0.38	5.4
Power Station	1	5.15	4.7	100	10.7	0.30	0.30	4.3
Education	1	2.10	1.9	100	22.6	0.13	0.13	1.9
Total/Average	**19**	**109.23**	**100**	**100**	**17.8**	**6.97**	**6.93**	**100**

Summary by Geographical Area as at 30 June 2021

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	4	26.90	24.6	100	13.2	1.86	1.41	20.5
North West & Merseyside	2	21.70	19.9	100	35.8	1.22	1.18	17.0
South East excluding London	4	18.55	17.0	100	11.6	1.07	1.06	15.2
South West	2	12.70	11.6	100	24.3	0.69	0.81	11.7
Yorkshire and the Humber	2	11.53	10.6	100	12.5	0.81	1.19	17.2
Scotland	1	6.95	6.4	100	15.2	0.65	0.59	8.5
London	1	5.75	5.3	100	8.3	0.37	0.39	5.6
Eastern	3	5.15	4.6	100	10.7	0.30	0.30	4.3
Total/Average	**19**	**109.23**	**100**	**100**	**17.8**	**6.97**	**6.93**	**100**

The table below illustrates the weighting of the Group's contracted rental income, based on the type of rent review associated with each lease.

Income Allocation by Type

Inflation linked - RPI	65.0%
Open Market Value Reviews	13.0%

Inflation linked - CPI	22.0%

Property Portfolio

Property Portfolio as at 30 June 2021

Property	Sector	Region	Market Value (£m)
1. Bramall Court, Salford	Student Accommodation	North West & Merseyside	12.30
2. Pocket Nook Industrial Estate, St Helens	Industrial	North West & Merseyside	9.40
3. Premier Inn, Camberley	Hotel	South East excluding London	8.10
4. Motorpoint, Birmingham	Automotive & Petroleum	West Midlands	7.80
5. Grazebrook Industrial Estate, Dudley	Industrial	West Midlands	7.00
6. Mercure City Hotel, Glasgow	Hotel	Scotland	6.95
6. Prime Life Care Home, Solihull	Healthcare	Yorkshire and the Humber	6.95
8. Silver Trees, Bristol	Healthcare	South West	6.90
9. Travelodge, Duke House, Swindon	Hotel	South West	5.80
10. Trident Business Park, Huddersfield	Automotive & Petroleum	Yorkshire and the Humber	5.30
11. Droitwich Spa Retail Park, Droitwich	Retail	West Midlands	5.15
11. Hoddesdon Energy, Hoddesdon	Power Station	Eastern	5.15
13. Prime Life Care Home, Brough	Healthcare	Yorkshire and the Humber	4.53
14. Applegreen Petrol Station, Crawley	Automotive & Petroleum	South East excluding London	4.30
15. Unit 2, Dolphin Park, Sittingbourne	Industrial	South East excluding London	4.05
16. Pure Gym, London	Leisure	London	3.85
17. YMCA Nursery, Southampton	Education	South East excluding London	2.10
18. Snap Fitness, London	Leisure	London	1.90
19. Unit 14, Provincial Park, Sheffield	Industrial	Yorkshire and the Humber	1.70

Tenants as at 30 June 2021

Tenant	Property	Annual Contracted Rental Income (£ '000)	% of Portfolio Total Passing Rental Income	Expiry date	Break date
Meridian Steel Ltd	Grazebrook Industrial Estate, Works 1 & 2, Dudley	688	9.9	21/05/2027	-
Prime Life Ltd	Prime Life Care Home, Brough	680	9.8	21/11/2048	-
Mears Group Plc	Bramall Court, Salford	655	9.4	16/08/2041	-
Jupiter Hotels Ltd	Mercure City Hotel, Glasgow	650	9.3	31/08/2036	-
Motorpoint Ltd	Motorpoint, Birmingham	500	7.2	24/06/2037	-
Premier Inn Hotels Ltd	Premier Inn, Camberley	449	6.4	24/03/2037	25/03/2032
Handsale Ltd	Silver Trees, Bristol	421	6.0	14/01/2049	-
Volkswagen Group United Kingdom Ltd	Trident Business Park, Audi, Huddersfield	396	5.7	13/07/2025	-
Hoddesdon Energy Ltd	Hoddesdon Energy, Hoddesdon	300	4.3	26/02/2050	27/02/2032
B&M Bargains	Droitwich Spa Retail Park, Droitwich	272	3.9	31/08/2029	-
Biffa Waste Services Ltd	Pocket Nook Industrial Estate, St Helens	267	3.8	31/03/2134	-
Dore Metal Services Southern Ltd	Unit 2, Dolphin Park, Sittingbourne	262	3.8	12/09/2033	13/09/2028
Travelodge Hotels Ltd	Duke House, Swindon	245	3.5	31/05/2041	-
Pure Gym Ltd	Pure Gym, London	236	3.4	10/12/2032	11/12/2027
Petrogas Group UK Ltd	Applegreen Petrol Station, Crawley	234	3.4	16/07/2033	-
Sec. of State for Communities & Local Gov'mt	Pocket Nook Industrial Estate, St Helens	154	2.2	29/01/2048	30/01/2023
Pets at Home	Droitwich Spa Retail Park, Droitwich	131	1.9	13/01/2023	-
MSG Life Realty Ltd	Snap Fitness, London	130	1.9	28/03/2033	-
YMCA Fairthorne Group	YMCA Nursery, Southampton	130	1.9	17/02/2044	-
Boulting Group Ltd	Pocket Nook Industrial Estate, St Helens	123	1.8	04/04/2022	-
The Salvation Army Trustee Company	Duke House, Swindon	22	0.3	17/07/2032	-
Mr Tox Recovery Specialist Ltd	Pocket Nook Industrial Estate, St Helens	20	0.3	04/12/2033	05/12/2028

*£245,000 pa from 1 January 2021 rising to £403,147.65 pa from 1 January 2022.

Section 172(1) statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under s172 and forms the directors' statement required under section 414CZA of the Act.

This section describes how the Board has regard to the likely consequences of any decision in the long term, the need to foster the Company's business relationships with suppliers, customers and others, the desirability of the Company maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company. The Company does not have any employees and therefore s172(1)(b) is not applicable to the Company. The impact of the Company's operations on the community and the environment is set out more fully in the Environmental, Social and Governance section on page 44.

Stakeholder	Issues of importance	Engagement	Effect of engagement on key decisions
Shareholders The Group's investment objective is to deliver an attractive total return to shareholders. Shareholders are directly impacted by the performance of the Company both through equity growth and dividends.	• Strong total shareholder return • Dividend cover and target • Long-term income stream linked to inflationary growth • Robust corporate governance structure and well-performing service providers • Strategic direction of the Company	Shareholder engagement is set out above.	The effect of shareholder engagement has fed into each aspect of the Board's decision-making. Shareholders have been temporarily impacted through a limited reduction of the interim dividends due to the wider effects of the COVID-19 pandemic. However, the total aggregate dividends for the year have increased compared to the prior year and the Board has also worked to keep expenses at a reduced level to optimise total shareholder return.
Service Providers In the second half of the previous year, the Board made several changes to its key service providers. Whilst keeping expenses at a reduced level, it is confident that the service providers have performed well and have improved its corporate governance processes.	• Reputation of the Company, including its impact on the community, environment, and maintaining high standards of business conduct • Fair and transparent service agreements • Effective relationship with the Board and other key service providers	• Effective and consistent engagement both through formal Board meetings and regularly outside the meetings with the Board	Clear and effective strategic oversight by the Board has been crucial to enhancing the effectiveness of the Company's key service providers. The Board has worked closely with its service providers to maintain and continually improve processes to ensure that the Company receives best value and good quality service.
Tenants Tenants with strong business fundamentals and profitable operations are one of the key components to ensure a consistent income stream and ability to pay dividends to the Company's shareholders	• Working closely during the COVID-19 pandemic with the Group's service providers, and offering assistance	• Regular dialogue with the Investment Adviser, Property Manager and other key service providers as appropriate	Due to the ongoing impact of the COVID-19 pandemic, the Board has recognised the challenges faced by tenants and has granted concessions for a limited period for some tenants to settle rent monthly, the objective being to provide proportional assistance to those tenants whose operations were materially impacted. Despite this and the Travelodge CVA, the Board delivered an increased total aggregate dividend for the year compared to the prior year.

	where required • Fair lease terms • Long-term strategy and alignment with the tenant's business operations	• The service providers have developed an effective working relationship with the Company's tenants	

Principal Risks and Uncertainties

The Group's assets consist of UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also to the particular circumstances of the individual properties and the tenants within the properties.

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

Twice each year, the Board undertakes a risk review with the assistance of the Audit Committee, to assess the adequacy and effectiveness of the AIFM's and, where appropriate, the Investment Adviser's risk management and internal control processes.

The Board has carried out an assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

An analysis of the principal risks and uncertainties is set out in the table below. This does not purport to be exhaustive as some risks are not yet known and some risks are currently not deemed material but could turn out to be material in the future.

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	HOW RISK IS MANAGED	RISK ASSESSMENT
REAL ESTATE RISKS		
1. Tenant default		
Failure by tenants to comply with their rental obligations could affect the income that the properties earn and the ability of the Group to pay dividends to its shareholders. Where the COVID-19 pandemic has a material impact on a tenant's business, tenants may be unable to comply with rental obligations.	Our investment policy limits our exposure to any one tenant to 15% of Gross Asset Value. Our maximum exposure to any one tenant (calculated by GAV) is 9.8% as at 30 June 2021. The Group benefits from a balanced portfolio with a diversified tenant base and is therefore not reliant on a single tenant or sector. In the due diligence process prior to acquiring a property, covenant checks are carried out on tenants which are repeated on a regular basis. The Investment Adviser and Property Manager conduct ongoing monitoring and liaison with tenants to manage potential bad debt risk. During the COVID-19 pandemic the Group has, where appropriate, granted concessions for a limited period to certain tenants to settle their rent monthly.	**Probability:** Moderate to high **Impact:** High **Movement:** Decrease in probability from high to moderate to high as a result of the strong and resilient rent collection throughout the portfolio, easing of lockdown measures and tenants demonstrating their ability to meet agreed payment plans
2. Portfolio concentration		
Any downturn in the UK and its economy or regulatory changes in the UK could have a material adverse effect on the Group's operations or financial condition. Greater concentration of investments in any sector or exposure to the creditworthiness of any one tenant or tenants may lead to greater volatility in the value of the Group's investments,	The Group has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk.	**Probability:** Low to moderate **Impact:** Low to moderate **Movement:** No change

NAV and the Company's share price.		
3. Property defects		
Due diligence may not identify all the risks and liabilities in respect of an acquisition (including any environmental, structural or operational defects) that may lead to a material adverse effect on the Group's profitability, the NAV and the Company's share price.	The Group's due diligence relies on the work (such as legal reports on title, property valuations, environmental, building surveys) outsourced to third parties that have appropriate Professional Indemnity cover in place.	**Probability:** Moderate **Impact:** Moderate **Movement:** No change
4. Rate of inflation		
Rent review provisions may have contractual limits to the increases that may be made as a result of the rate of inflation. If inflation is in excess of such contractual limits, the Group may not be able to deliver targeted returns to shareholders.	The inflation linked (RPI/CPI) leases in the portfolio have contractual rent review collars, with the lowest floor being 0%, and caps that range from 3% to no cap. The caps are in excess of RPI and CPI forecasts during the next five-year rent review cycle and therefore based on forecasts, the risk is somewhat mitigated.	**Probability:** Low **Impact:** Low to moderate **Movement:** No change
5. Property market		
Any recession or future deterioration in the property market could, inter alia, (i) lead to an increase in tenant defaults, (ii) make it difficult to attract new tenants for its properties, (iii) lead to a lack of finance available to the Group, (iv) cause the Group to realise its investments at lower valuations; and (v) delay the timings of the Group's realisations. Any of these factors could have a material adverse effect on the ability of the Group to achieve its investment objective.	The Group has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk. Most of the leases provide a relatively long unexpired term and contain upward only rent reviews which are linked to either RPI or CPI. Because of these factors, the Group expects that the assets will show less volatile valuation movement over the long term.	**Probability:** Moderate to high **Impact:** Moderate to high **Movement:** No change
6. Property valuation		
Property is inherently difficult to value due to the individual nature of each property. There may be an adverse effect on the Group's profitability, the NAV and the Company's share price in cases where properties are sold whose valuations have previously been materially overstated.	The Group uses an independent valuer (Knight Frank LLP) to value the properties on a quarterly basis at fair value in accordance with accepted RICS appraisal and valuation standards.	**Probability:** Low to moderate **Impact:** Moderate to high **Movement:** Decrease in probability from moderate to low to moderate due to material uncertainty clause being removed from Knight Frank's valuation as at 30 June 2021
7. Investments are illiquid		
The Group invests in commercial properties. Such investments are illiquid; they may be difficult for the Group to sell and the price achieved on any realisation may be at a discount to the prevailing valuation of the relevant property.	The Group aims to hold the properties for long-term income.	**Probability:** Moderate **Impact:** Moderate **Movement:** No change
BORROWING RISKS		
8. Breach of borrowing covenants		
The Group has entered into a term loan facility. Material adverse changes in valuations and net income may lead to breaches in the LTV and interest cover ratio covenants. If the Group is unable to operate within its debt covenants, this	The Group monitors the use of borrowings on an ongoing basis through regular cash flow forecasting and quarterly risk monitoring to monitor financial covenants. The Group's gearing at 30 June 2021 was 36.3%, below our maximum gearing (on a GAV	**Probability:** Low **Impact:** High **Movement:** No change

would lead to default and the loan facility being recalled. This could result in the Group selling properties to repay the loan facility.	basis on drawdown) of 40% and materially below the loan's default covenant of 60%. Borrowing is carefully monitored by the Group, and action will be taken to conserve cash where necessary to ensure that this risk is mitigated. There is significant headroom in the LTV and interest cover covenants in the loan agreement.	
CORPORATE RISKS		
9. Failure of service providers The Group has no employees and is reliant upon the performance of third-party service providers. Failure by any service provider to carry out its obligations to the Group in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Group. Should the Group pursue litigation against service providers, there is a risk that the Company may incur costs that are irrecoverable if litigation is unsuccessful.	The performance of service providers in conjunction with their service level agreements is monitored regularly and the use of Key Performance Indicators, where relevant. The Management Engagement Committee reviews the performance and continuing appointment of service providers on an annual basis.	**Probability:** Low to moderate **Impact:** Moderate to high **Movement:** Decrease in probability from moderate to low to moderate. The Board has lowered this risk due to the continued strong performance of the Group's current service providers
10. Dependence on the Investment Adviser The future ability of the Group to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of the service providers to retain its existing staff and/or to recruit individuals of similar experience and calibre, and effectively carry out its services.	The Board meets regularly with, and monitors, all of its service providers, including the Investment Adviser, to ensure close positive working relationships are maintained. The dependence on the Investment Adviser is managed through segregating the roles of AIFM and Investment Adviser.	**Probability:** Moderate **Impact:** Moderate **Movement:** No change
11. Ability to meet objectives The Group may not meet its investment objective to deliver an attractive total return to shareholders from investing predominantly in a portfolio of smaller commercial properties in the UK. Poor relative total return performance may lead to an adverse reputational impact that affects the Group's ability to raise new capital and new funds.	The Group has an investment policy to achieve a balanced portfolio with a diversified tenant base. This is reviewed by the Board at each scheduled Board meeting. The Group's property portfolio has a WAULT to break of 17.8 years and a WAULT to expiry of 19.8 years. Further, over 87.0% of leases have inflation linked upwards only rent reviews, representing a secure income stream on which to deliver attractive total returns to shareholders.	**Probability:** Low to moderate **Impact:** High **Movement:** No change
TAXATION RISK		
12. Group REIT status The Group has UK REIT status that provides a tax-efficient corporate structure. If the Group fails to remain a REIT for UK tax purposes, its profits and gains will be subject	The Company monitors REIT compliance through the Investment Adviser and Administrator on acquisitions and disposals and distribution levels; the Registrar and Broker on shareholdings and third party	**Probability:** Low **Impact:** High **Movement:** No change

to UK corporation tax. Any change to the tax status or in UK tax legislation could impact on the Group's ability to achieve its investment objectives and provide attractive returns to shareholders.	tax advisors to monitor REIT compliance requirements.	
POLITICAL/ ECONOMIC RISKS		
13. Political and macroeconomic events present risks to the real estate and financial markets that affect the Group and the business of our tenants. The economic disruption arising from the COVID-19 pandemic in addition to any arrangements made, or lack thereof, between the UK and the EU following the end of its transition period could impact the ability of the Group to raise capital and/or increase the regulatory compliance burden on the Group.	The Group only invests in UK properties with strong alternative use values and long leases so the portfolio is well positioned to withstand an economic downturn.	**Probability:** Moderate to high **Impact:** Moderate to high **Movement:** Decrease in probability from high to moderate to high due to the roll out of the vaccine programme and removal of national lockdown measures throughout the UK

EMERGING RISKS

Introduction of, or amendment to, laws and regulations (especially in relation to climate change)

The global ambition for a more sustainable future has never been greater, particularly in light of recent events such as the COVID-19 pandemic and various climate-related events across the globe. There is increasing pressure for governments and authorities to enforce environmental-related legislation, which may require the Company to adapt its properties in line with legislation in future. The Board will continue to monitor ongoing legal and regulatory developments.

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 2021 was £2.12 million, of which £0.66 million was readily available for potential investments. As at 30 June 2021, 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 36.30% as at 30 June 2021.

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 cash flows. 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.

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 2024, is a realistic timescale over which the performance of the Group can be forecast with a degree of accuracy and so is an appropriate period over which to consider the Group's viability.

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

1. The current unexpired term under the Group's debt facilities stands at 4.3 years.
2. The Group's property portfolio had a WAULT to break of 17.8 years and a WAULT to expiry of 19.8 years as at 30 June 2021, 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 forward, in adopting a going concern preparation basis and in assessing the Company's longer-term viability. The viability statement has been prepared assuming that the continuation vote in 2022 will be passed.

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 2021, the asset valuations and rental income of the 17 properties secured to Canada Life would need to fall by 18% and 24% respectively before breaching the Loan to Value loan and Income Cover Cash Trap 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.

Board Approval of the Strategic Report

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

Alan Sippetts
Chairman

29 September 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("EU") and Article 4 of the IAS Regulations. The Directors 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 Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("EU") and Article 4 of the IAS Regulations 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 Company'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 and Directors' 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 Consolidated 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

Alan Sippetts
Chairman
29 September 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Income			
Rental and other income	3	7,409	7,810
Property operating expense	4	(647)	(515)
Net rental and other income		6,762	7,295
Other operating expenses	4	(876)	(1,492)
Operating profit before fair value changes and gain on sale		5,886	5,803
Change in fair value of investment properties	10	682	(9,411)
Gain on disposal of investment property	12	425	-
Operating profit/(loss)		6,993	(3,608)
Finance expenses	6	(1,421)	(1,442)
Profit/(loss) before tax		5,572	(5,050)
Taxation	7	-	-
Profit/(loss) and total comprehensive income/(loss) for the year		**5,572**	**(5,050)**
Earnings/(loss) per share (pence per share) (basic and diluted)	8	**6.92**	**(6.27)**
EPRA EPS (pence per share) (basic and diluted)	8	**5.55**	**5.42**
Adjusted EPS (pence per share) (basic and diluted)	8	**5.07**	**4.25**

The notes on pages 63 to 82 of the Annual Report form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
Assets			
Non-current Assets			
Investment properties	10	107,026	100,273
		107,026	100,273
Current Assets			
Receivables and prepayments	11	3,682	5,417
Cash and cash equivalents		2,115	2,288
		5,797	7,705

Non-current assets held for sale	12	-	2,734
Total Assets		**112,823**	**110,712**
Non-current Liabilities			
Interest bearing loans and borrowings	14	(40,516)	(40,417)
Lease obligations	15	(335)	(373)
		(40,851)	(40,790)
Current Liabilities			
Payables and accrued expenses	13	(3,041)	(2,595)
Lease obligations	15	(38)	(41)
		(3,079)	(2,636)
Total Liabilities		**(43,930)**	**(43,426)**
Net Assets		**68,893**	**67,286**
Equity			
Share capital	18	805	805
Capital reserve and retained earnings		68,088	66,481
Total capital and reserves attributable to equity holders of the Group		**68,893**	**67,286**
Net Asset Value per share (pence per share)	8	**85.58**	**83.58**

The notes on pages 63 to 82 of the Annual Report form an integral part of these Consolidated Financial Statements.

The financial statements on pages 59 to 82 of the Annual Report were approved by the Board of Directors on 29 September 2021 and were signed on its behalf by:

Alan Sippetts

Chairman

Company number: 10727886

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	**Share capital £'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 2021				
Balance as at 1 July 2020		805	66,481	67,286
Total comprehensive income		-	5,572	5,572

	Note			
Dividends paid	9	-	(3,965)	(3,965)
Balance as at 30 June 2021		**805**	**68,088**	**68,893**
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**

The notes on pages 63 to 82 of the Annual Report form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Year ended 30 June 2021 £ '000	Year ended 30 June 2020 £ '000
Cash flows from operating activities		
Profit/(loss) before tax	5,572	(5,050)
Adjustments for:		
Gain on disposal of investment property	(425)	-
Finance expenses	1,421	1,442
Change in fair value of investment properties	(682)	9,411
Operating results before working capital changes	5,886	5,803
Changes in working capital		
Decrease/(increase) in other receivables and prepayments	1,735	(4,262)
Increase in other payables and accrued expenses	429	694
Net cash flow generated from operating activities	**8,050**	**2,235**
Cash flows from investing activities		
Purchase of investment property	(6,070)	-
Net proceeds from disposal of investment properties	3,159	-
Net cash used in investing activities	**(2,911)**	**-**
Cash flows from financing activities		
Finance costs paid	(1,322)	(1,435)
Dividends paid	(3,949)	(4,031)
Payment of lease obligation	(41)	-
Net cash used in financing activities	**(5,312)**	**(5,466)**
Net decrease in cash and cash equivalents	(173)	(3,231)
Cash and cash equivalents at start of year	2,288	5,519
Cash and cash equivalents at end of year	**2,115**	**2,288**

The notes on pages 63 to 82 form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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 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.

2. Accounting policies

2.1 Basis of preparation

These Consolidated Financial Statements are prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("EU") and in accordance with the Companies Act 2006 and Article 4 of the IAS Regulations.

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The Consolidated Financial Statements will transition to UK-adopted international accounting standards for financial periods beginning 1 July 2021.

These Consolidated Financial Statements have been prepared under the historical-cost convention, except for investment properties that have 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 where otherwise indicated.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries (the 'Group'). Subsidiaries are the entities controlled by the Company, being Alternative Income Limited and Alternative Income REIT Holdco Limited.

New standards, amendments and interpretations

Standards effective from 1 June 2020

New standards impacting the Group that have been adopted for the first time in this set of Consolidated Financial Statements are:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Revised Conceptual Framework for Financial Reporting

The above standards have been assessed to have no significant impact to the Group.

- Amendments to IFRS 3 "Business Combinations", definition of a business. The amendment and interpretation does not have a material impact on the financial statements in the period of initial application. This is because the amendment narrows the definition of a business, however, subsidiaries acquired by the Group to date have all been treated as the acquisition of a group of assets rather than a business as there was not an integrated set of activities acquired in addition to the property.
- Amendments to IFRS 16 regarding COVID-19-related rent concessions were issued in May 2020, for annual reporting periods beginning on or after 1 June 2020. It permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The impact of this amendment is considered immaterial as the Group does not hold any material operating or leasehold agreements as lessee.

Standards issued not yet effective

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

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

The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group.

- Amendments to IAS 1 which clarifies the criteria used to determine whether liabilities are classified as current or non-current (effective 1 January 2023). These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.

There are other new standards and amendments to standards and interpretations which have been issued that are effective in future accounting periods, and which the Group has decided not to adopt early. None of these are expected to have a material impact on the condensed Consolidated Financial Statements of the Group.

2.2 Significant accounting judgements and estimates

In the application of the Group's accounting policies the Directors are required 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. The estimates and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Estimates

Valuation of investment properties

The fair value of investment properties are determined, by external property valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. The Group's 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. Factors include current market conditions, annual rentals, the contractual terms of the leases and their 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.

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

Rent collection rates pre-COVID were in the region of 100%. As a result, the Group does not have the data to establish historical loss rates for the expected credit loss analysis.

In determining the provision on a tenant by tenant basis, the Group considers both recent payment history and future expectations of the tenant's ability to pay or possible default in order to recognise an expected credit loss allowance. The Group also considers the risk factors associated by sector in which the tenant operates and the nature of the debt. Based on sector and rent receivable type a provision is provided in addition to full provision for maximum risk tenants or known issues.

Judgment

Principal versus agent considerations - services to tenants

The Group arranges for certain services to be provided to tenants. These arrangements are included in the contract the Group enters into as a lessor. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. The Group has determined that it is primarily responsible for fulfilling these services as it directly deals with tenants' complaints and is primarily responsible for the quality or sustainability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

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

REIT status

The Group is a Real Estate Investment Trust (REIT) and does not pay tax on its property income or gains on property sales, provided that at least 90% of the Group's property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring the property rental business represents more than 75% of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is management's intention that the Group will continue as a REIT for the foreseeable future.

Classification of lease arrangements - the Group as lessor (Note 16)

The Group has acquired investment properties that are leased to tenants. In considering the classification of lease arrangements, at inception of each lease the Group considers the economic life of the asset compared with the lease term and the present value of the minimum lease payments and any residual value compared with the fair value and associated costs of acquiring the asset as well as qualitative factors as indicators that may assert to the risks and rewards of ownership having been substantially retained or transferred. The Group has determined that it retains all the significant risks and rewards of ownership of its investment property and accounts for the lease arrangements as operating leases.

2.3 Segmental information

Each property held by the Group is reported to the chief operating decision maker. In the case of the Group, the chief operating decision maker is considered to be the Board of Directors. The review process for segmental information includes the monitoring of key performance indicators applicable across all properties. These key performance indicators include Net Asset Value, Earnings per Share 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 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 30 September 2022, 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 debt of £41m does not mature until 2025 and the Group has reported full compliance with its loan covenants to date. Based on the 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 would cause 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 should tenants would have difficulty paying rents.

· The Directors have modelled rent collection of 80% in Q3 & Q4 2021 and 70% in Q1 2022 recovering to 80% in Q2 2022 and then at 100% onwards.

· 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 12 months commencing from Q3 2021. This is in addition to the existing payment plans already in place.

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.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the Consolidated 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) Functional and presentation currency

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

b) Revenue recognition

i) Rental income

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 either as a separate lease or not 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.

(iv) Dilapidation and lease surrender premium

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

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 which is significantly the same as the contracted interest.

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 investment properties 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 on the processed as described in note 2.2. 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 year, using tax rates applicable in the year.

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) 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 measured at fair value.

o) European Public Real Estate Association

The Group has adopted the 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 2021, audited EPS and NAV calculations under EPRA's methodology are included in note 8 and further unaudited measures are included on page 89.

p) Capital and reserves

Share capital

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

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.

3. Rental and other income

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Gross rental income	6,724	6,073
Service charges and direct recharges (see note 4)	199	459
Spreading of minimum contracted future rent indexation	571	720
Spreading of tenant incentives - rent free periods	(85)	558
Total rental and other income	**7,409**	**7,810**

4. Expenses

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Property operating expenses	448	56
Service charges and direct recharges (see note 3)	199	459
Total property operating expenses	**647**	**515**
Investment management fee	269	408
Auditor remuneration	77	120
Provision for impairment of trade receivables	-	213
Operating costs*	442	657
Directors' remuneration (note 5)	88	94
Total other operating expenses	**876**	**1,492**
Total operating expenses	**1,523**	**2,007**

* A write-off in the amount of £107 ('000) presented as separate line item in prior year accounts has been reclassed to operating cost this year.

Audit		
Statutory audit of Annual Report and Accounts	67	105
Statutory audit of Subsidiary Accounts	10	15
Total fees due to auditor	**77**	**120**

Moore Kingston Smith LLP has replaced KMPG LLP as the auditor for the Group for year ended 30 June 2021. Neither Moore Kingston Smith LLP nor KPMG LLP have provided any non-audit services to the Group.

5. Directors' remuneration

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Directors' fees	78	90
Tax and social security	10	4
Total fees	**88**	**94**

A summary of the Director's remuneration is set out in the Directors' Remuneration Report on pages 41 to 43 of the Annual Report.
The Group had no employees during the period.

6. Finance expenses

	Year ended 30 June 2021	Year ended 30 June 2020
	£'000	£'000
Interest payable on loan	1,307	1,315
Amortisation of loan arrangement fees (note 14)	99	124
Other finance costs	15	3
Total	**1,421**	**1,442**

7. Taxation

	Year ended 30 June 2021	Year ended 30 June 2020
	£'000	£'000
Tax charge comprises:		
Analysis of tax charge in the period		
Profit/(loss) before tax	**5,572**	**(5,050)**
Theoretical tax/(tax credit) at UK corporation tax standard rate of 19.00% (2020: 19.00%)	1,059	(960)
Effects of tax exempt items under the REIT regime	(1,059)	960
Total	**-**	**-**

The Group maintained its REIT status and 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. Earnings/ (loss) per share (EPS) and Net Asset Value (NAV) per share

	Year ended 30 June 2021	Year ended 30 June 2020
Earnings/(loss) per share:		
Total comprehensive income/(loss) (£'000)	5,572	(5,050)
Weighted average number of shares (Number)	80,500,000	80,500,000
Earnings/(loss) per share (basic and diluted) (pence)	**6.92**	**(6.27)**
EPRA EPS:		
Total comprehensive income/(loss) (£'000)	5,572	(5,050)
Adjustment:		
Change in fair value of investment properties (£'000)	(682)	9,411
Gain on disposal of investment property (£'000)	(425)	-
EPRA earnings (basic and diluted) (£'000)	**4,465**	**4,361**
EPRA EPS (basic and diluted) (pence)	**5.55**	**5.42**

	Year ended 30 June 2021	Year ended 30 June 2020
Adjusted EPS:		
EPRA earnings (basic and diluted) (£'000) - as above	4,465	4,361
Adjustments:		
Rental income recognised in respect of guaranteed fixed rental uplifts (£'000)	(571)	(720)
Rental income recognised in respect of rent free periods (£'000)	85	(558)
Amortisation of loan arrangement fee (£'000)	99	124
Provision for impairment of trade receivables (£'000)	-	213
Adjusted earnings (basic and diluted) (£'000)	4,078	3,420
Adjusted EPS (basic and diluted) (pence)*	**5.07**	**4.25**

* 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 profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year.

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
NAV per share:		
Net assets value (£'000)	68,893	67,286
Ordinary Shares (Number)	80,500,000	80,500,000
NAV per share (pence)	**85.58**	**83.58**

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 does not need to be provided.

EPRA Net Asset Value metrics

In October 2019, the European Public Real Estate Association (EPRA) updated its Best Practice Recommendations (BPR) for financial disclosures by public real estate companies. The BPR introduced three new measures of net asset value: EPRA Net Reinvestment Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV).The Group has adopted these new guidelines and applies them in this Annual Report.

	EPRA NRV	EPRA NTA and EPRA NDV
As at 30 June 2021		
Net assets value (£'000)	68,893	68,893
Purchasers' cost (£'000)	7,100	-
Break cost on bank borrowings (£'000)	(3,467)	(3,467)
	72,526	65,426
Ordinary Shares (Number)	80,500,000	80,500,000
Per share measure (pence)	**90.09**	**81.27**

	EPRA NRV	EPRA NTA and EPRA NDV
As at 30 June 2020		
Net assets value (£'000)	67,286	67,286
Purchasers' cost (£'000)	7,857	-
Break cost on bank borrowings (£'000)	(5,262)	(5,262)

	69,881	62,024
Ordinary Shares (Number)	80,500,000	80,500,000
Per share measure (pence)	**86.81**	**77.05**

9. Dividends paid

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Fourth interim dividend declared and paid in respect of the quarter ended 30 June 2020 at 1.425p per Ordinary Share (Quarter ended 30 June 2019 at 1.375p per Ordinary Shares*)	1,147	1,107
First interim dividend declared and paid in respect of the quarter ended 30 September 2020 at 1.25p per Ordinary Share (Quarter ended 30 September 2019 at 1.375p per Ordinary Share)	1,006	1,107
Second interim dividend declared and paid in respect of the quarter ended 31 December 2020 at 1.00p per Ordinary Share (Quarter ended 31 December 2019 at 1.375p per Ordinary Share)	805	1,107
Third interim dividend declared and paid in respect of the quarter ended 31 March 2021 at 1.25p per Ordinary Share (Quarter ended 31 March 2020 at 0.825p per Ordinary Share)	1,007	664
Total dividends declared and paid during the year	**3,965**	**3,985**
Fourth interim dividend declared and paid in respect of the quarter ended 30 June 2020 at 1.425p per Ordinary Share (Quarter ended 30 June 2019 at 1.375p per Ordinary Shares*)	(1,147)	(1,107)
Fourth interim dividend declared and paid in respect of the quarter ended 30 June 2021 at 1.64p per Ordinary Share (Quarter ended 30 June 2020 at 1.425p per Ordinary Shares*)	1,320	1,147
Total dividends in respect of the year	**4,138**	**4,025**
Total dividends in respect of the year (pence per share)	**5.14**	**5.00**

* 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 £3,949 (£'000), the difference between the amount disclosed above is due to withholding tax.

10. Investments

10.1 Investment properties

	30 June 2021			30 June 2020
	Freehold Investment properties £'000	Leasehold Investment properties £'000	Total £'000	Total £'000
UK Investment properties				
At the beginning of the year	87,130	14,780	101,910	112,990
Acquisition during the year	6,070	-	6,070	-
Reclassification between assets*	(18,658)	18,658	-	-
Adjustment on cost	-	-	-	(143)
Change in value of investment properties	1,230	20	1,250	(8,087)
Non-current asset held for sale (note 12)	-	-	-	(2,850)
Valuation provided by Knight Frank LLP	**75,772**	**33,458**	**109,230**	**101,910**
Adjustment to fair value for minimum rent indexation of lease income (note 11)			(2,709)	(2,224)

Reclassification to non-current asset held for sale (note 12)	-	116
Adjustment for lease obligations	505	471
Total investment properties	**107,026**	**100,273**

Change in fair value of investment properties		
Change in fair value before adjustments for lease incentives and lease obligations	1,250	(8,087)
Movement in lease obligations	34	(46)
Adjustment to spreading of contracted future rent indexation and tenant incentives	(602)	(1,278)
	682	**(9,411)**

*Following a review of the classification of the Group's properties, Bramall Court and Grazebrook Industrial Estate has been reclassified as Leasehold as reflected above in the current year consolidated financial statements.

Valuation of investment properties
Valuation of investment properties 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 properties 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 properties 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.

The outbreak of COVID-19, has and continues to impact on many aspects of daily life and the global economy - with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented in many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, valuations are not reported as being subject to "material valuation uncertainty" as defined by VPS3 and VPGA 10 of the RICS Valuation - Global Standards.

In preparing their valuations, our valuers have considered the impact of concessions agreed with tenants at the balance sheet date, which mainly relate to rent deferrals and rent reductions, on valuations. They have also given consideration to occupiers in higher risk sectors, and those assumed to be at risk of default, in determining the appropriate yields to apply.

At 30 June 2020, Knight Frank LLP's external valuation reports included a "material valuation uncertainty" declaration, which emphasised that less certainty - and a higher degree of caution - should be attached to the valuations than would normally be the case. In light of this, we reviewed the ranges used for our sensitivity analysis, and adopted expanded ranges to reflect this increased uncertainty. No such declaration was included in our valuation reports at 30 June 2021, with our external valuers concluding that there was an adequate quantum of market evidence upon which to base opinions of value.

10.2 Fair value measurement hierarchy

The different valuation method levels are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These levels are specified in accordance with IFRS 13 'Fair Value Measurement'. Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of our property portfolio as Level 3 as defined by IFRS 13. The inputs to the valuations are defined as 'unobservable' by IFRS 13 and these are analysed in a table below. There were no transfers between levels in the year.

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 2021				
Investment properties*	109,230	Income capitalisation	ERV Equivalent yield	£3.86 - £21.96 5.17% - 8.46%**
30 June 2020				
Investment properties*	101,910	Income capitalisation	ERV Equivalent yield	£3.74 - £21.96 5.34% - 8.76%

* Valuation per Knight Frank LLP
** Hotels, Nurseries, Petrol Stations & Healthcare are excluded from this range

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

	30 June 2021			
	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	**+10%**	**-10%**	**+10%**	**-10%**
Resulting fair value of investment property	112,222	107,104	103,375	116,769

	30 June 2020 - as restated*			
	Change in ERV		Change in equivalent yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	**+10%**	**-10%**	**+10%**	**-10%**
Resulting fair value of investment property	106,808	102,724	97,883	113,193

* The resulting fair value as the result of change in ERV and yield disclosed in prior year consolidated financial statements were interchanged. Necessary corrections have been reflected in the current year consolidated financial statements.

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 2021	30 June 2020
	£'000	£'000
Receivables		
Tenant receivable	602	1,174
Less: Provision for impairment of trade receivables	(213)	(213)
Other debtors	307	2,211
Total receivables	**696**	**3,172**
Spreading of minimum contracted future rent indexation	2,167	1,598
Spreading of tenant incentives - rent free periods	542	626
Other prepayments	277	21
Total	**3,682**	**5,417**

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

	30 June 2021	30 June 2020
	£'000	£'000
Less than three months due	667	3,089
Between three and six months due	29	83
Between six and twelve months due	-	-
Total	**696**	**3,172**

12. Non-current assets held for sale

During the year, the Group disposed of the investment property known as Wet n Wild, Royal Quays, North Shields.

	30 June 2021	30 June 2020
	£'000	£'000
Assets held for sale		
Investment property	-	2,734
Total	**-**	**2,734**

The table below shows a reconciliation of the gain recognised on disposal through the Consolidated Statement of Comprehensive Income and the realised gain on disposal in the year which includes changes in fair value of the investment property and minimum rent indexation spreading recognised in previous periods.

	Year ended 30 June 2021	Year ended 30 June 2020
	£'000	£'000
Gross proceeds on disposal	3,204	-
Selling costs	(45)	-
Net proceeds on disposal	3,159	-
Carrying value	(2,734)	-
Gain on disposal of investment property	**425**	**-**
Add:		

Change in fair value recognised in previous periods	70	-
Adjustment to spreading of contracted future rent indexation and tenant incentives	(116)	-
Realised gain on disposal of investment property	**379**	**-**

13. Payables and accrued expenses

	30 June 2021 £'000	30 June 2020 £'000
Deferred income	1,445	1,265
Trade creditors	59	87
Accruals	603	395
Other creditors	934	848
Total	**3,041**	**2,595**

14. Interest bearing loans and borrowings

	30 June 2021 £'000	30 June 2020 £'000
Total facility drawn	**41,000**	**41,000**
Unamortised finance cost brought forward	(583)	(686)
Adjustment on unamortised finance cost	-	(21)
Amortisation of finance costs	99	124
At end of year	**40,516**	**40,417**
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	41,000	-
Repayable in over 5 years	-	41,000
Total	**41,000**	**41,000**

As at 30 June 2021, 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 36.3% (2020: 37.0%). The weighted average interest cost of the Group's facility is 3.19% and the facility is repayable on 20 October 2025.

	30 June 2021 £'000	30 June 2020 £'000
Reconciliation to cash flows from financing activities		
At the beginning of the year	40,417	40,314
Interest paid	(1,322)	(1,435)
Total changes from financing cash flows	**39,095**	**38,879**
Other changes		
Movement in interest payable presented under other creditors	(99)	(7)
Interest expense	1,421	1,442
Adjustment on loan issue costs	-	(21)
Amortisation of loan issue costs	99	124
Total other changes	**1,421**	**1,538**
At the end of the year	**40,516**	**40,417**

15. 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 2021 £'000	30 June 2020 £'000
Within one year	50	50
After one year but less than five years*	150	150

More than five years*	563	613
Total undiscounted lease liabilities:	**763**	**813**
Less: Future finance charge on lease obligation	(390)	(399)
Present value of lease liabilities:	**373**	**414**

Lease liabilities included in the statement of financial position:

Current	38	41
Non-current	335	373
Total:	**373**	**414**

* Prior year balances have been amended to present the correct expected minimum lease payment amounts for over one year.

16. Commitments

Operating lease commitments - as lessor

The Group has 22 commercial property leases on its investment property portfolio as set out on page 18. 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 2021 are as follows:

	30 June 2021 £'000	**30 June 2020 £'000**
Less than one year	6,957	6,449
One to two years	7,135	6,603
Two to three years	7,094	6,626
Three to four years	7,191	6,729
Four to five years	7,002	6,758
Five to ten years	29,898	30,429
Ten to fifteen years	27,201	28,231
Over fifteen years	58,889	64,735
Total	**151,367**	**156,560**

During the year ended 30 June 2021 (2020: £nil) there were no material contingent rents recognised as income.

Capital commitment

There were no capital commitments as at 30 June 2021.

At 30 June 2020

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. The project was completed in December 2020 at a cost (including professional fees) of £1.1 million. The cladding was installed when the property was extended in 2007 and both the architect and the cladding sub-contractor involved are being pursued for reimbursement of the costs incurred.

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 2021 owns 100% 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 2021		For the year ended 30 June 2020	
	£'000	Number of Ordinary Shares	£'000	Number of Ordinary Shares
Ordinary Shares issued and fully paid at a nominal value of £0.01 per Ordinary Share				
At the beginning and end of the year	**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') 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 asset 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, Barclays 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 Advisor 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 2021 £'000	30 June 2020 £'000
Debtors (including rent spreading from rent indexation and incentives and excluding prepayments)*	3,618	5,609*
Cash and cash equivalents	2,115	2,288
Total	**5,733**	**7,897**

* Prior year balances have been amended to present the correct amount for Debtors (including rent spreading from rent indexation and incentives and excluding prepayments).

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 2021	On demand £'000	< 3 months £'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	-	327	980	4,573	-	5,880
Payables and accrued expenses	138	884	123	-	-	1,145
Lease obligations	-	13	37	200	513	763
Total	**138**	**1,224**	**1,140**	**45,773**	**513**	**48,788**

30 June 2020	On demand £'000	< 3 months £'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*	-	327	980	5,226	653	7,186
Payables and accrued expenses	228	843	-	-	-	1,071
Lease obligations	-	13	37	200	563	813
Total	**228**	**1,183**	**1,017**	**5,426**	**42,216**	**50,070**

*Prior year balances have been amended to present the correct interest payable.

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 loan.

20. Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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 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 36.3% (2020: 37.0%).

Breaches in meeting the financial covenants would permit the lender 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 2021 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.

Investment Adviser

M7 Real Estate Limited - from 14 May 2020 to date

M7 Real Estate Ltd was appointed as Investment Adviser on 14 May 2020. The Interim Investment Advisory agreement (amended with Deed of Variation dated February 2021) specifies that there are no fees payable up to 30 September 2020. From 1 October 2020, an annual management fee will be calculated at a rate equivalent of 0.50% per annum of NAV (subject to a minimum fee of £90,000 per quarter), paid quarterly in advance. During the year ended 30 June 2021, the Group incurred £269,327 (30 June 2020: £nil) in respect of investment advisory fees, of which £nil was outstanding at 30 June 2021 (30 June 2020: £nil).

AEW UK Investment Management LLP ("AEW UK") - period ended 9 April 2020

The Group was party to an Investment Management Agreement with AEW UK, pursuant to which the Group appointed the Investment Manager 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 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 was charged £407,708 in respect of investment management fees and expenses of which £137,445 remains outstanding.

22. Events after reporting date

Dividend

On 4 August 2021, the Board declared an interim dividend of 1.64 pence per share in respect of the period from 1 April 2021 to 30 June 2021. This was paid on 31 August 2021 to shareholders on the register as at 13 August 2021. The ex-dividend date was 12 August 2021 (2020: 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).

Company Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021 £'000	30 June 2020 £'000
Assets			
Non-current Assets			
Investments in subsidiary companies	3	73,158	73,158
Investment property	3	2,067	2,011
		75,225	**75,169**
Current Assets			
Receivables and prepayments	4	208	41
Cash and cash equivalents		535	108
		743	**149**
Total Assets		**75,968**	**75,318**
Current Liabilities			
Payables and accrued expenses	5	(17,148)	(11,936)
Total Liabilities		**(17,148)**	**(11,936)**
Net Assets		**58,820**	**63,382**
Equity			
Share capital	7	805	805
Capital reserve and retained earnings		58,015	62,577

Total capital and reserves attributable to equity holders of the Company	**58,820**	**63,382**
Net Asset Value per share (pence per share)	**73.07**	**78.74**

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 £596,947 (30 June 2020 loss: £1,057,229).

The financial statements on pages 83 and 88 were approved by the Board of Directors on 29 September 2021 and were signed on its behalf by:

Alan Sippetts

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 2021

	Share capital £'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 2021			
Balance as at 1 July 2020	805	62,577	63,382
Total comprehensive loss	-	(597)	(597)
Dividends paid	-	(3,965)	(3,965)
Balance at 30 June 2021	**805**	**58,015**	**58,820**
For the year ended 30 June 2020			
Balance as at 1 July 2019	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**

The notes on pages 85 to 88 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

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 United Kingdom 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 following disclosures exemptions which are permissible under FRS 101 as the equivalent disclosures are contained within the Group's consolidated financial statements.
- a cash flow statement and related notes;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- the disclosures of the remuneration of key management personnel;
- disclosure of related party transactions with other wholly owned members of the Ultimate Parent;
- the disclosure of financial instruments and other fair value measurements.

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

The principal accounting policies adopted in the preparation of the Company's financial statements are consistent with the Group which are described in note 2.5 of the Consolidated Financial Statements but makes amendments where necessary in order to comply with the Companies Act 2006 and taking advantage of the FRS 101 exemptions mentioned above.

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

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.

Deferred income

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

3. Investments

3a. Investments in Subsidiary Companies

	30 June 2021 £'000	30 June 2020 £'000
At the beginning and end of the year	**73,158**	**73,158**

A list of subsidiary undertakings at 30 June 2021 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 exceed the carrying amount of the investment in subsidiary and the Directors have concluded that no impairment is necessary.

3b. Investment property

	30 June 2021 £'000	30 June 2020 £'000
At the beginning of the year	2,011	2,055
Revaluation of investment property	70	(30)
Adjustment to fair value for minimum rent indexation of lease income	(14)	(14)
At the end of the year	**2,067**	**2,011**

4. Receivables and prepayments

	30 June 2021 £'000	30 June 2020 £'000
Receivables		
Rent debtor	4	65
Less: Provision for impairment of trade receivables	-	(65)
Spreading of minimum contracted future rent indexation	33	19
VAT receivable	57	17
	94	**36**
Prepayments		
Other prepayments	114	5
Total	**208**	**41**

5. Payables and accrued expenses

	30 June 2021 £'000	30 June 2020 £'000
Due to subsidiaries	16,759	11,471
Deferred income	30	30
Trade creditors	26	6
Accruals	254	368
Other creditors	79	61
Total	**17,148**	**11,936**

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

6. Dividends paid

	30 June 2021 £'000	30 June 2020 £'000
Fourth interim dividend declared and paid in respect of the quarter ended 30 June 2020 at 1.425p per Ordinary Share (Quarter ended 30 June 2019 at 1.375p per Ordinary Shares*)	1,147	1,107
First interim dividend declared and paid in respect of the quarter ended 30 September 2020 at 1.25p per Ordinary Share (Quarter ended 30 September 2019 at 1.375p per Ordinary Share)	1,006	1,107
Second interim dividend declared and paid in respect of the quarter ended 31 December 2020 at 1.00p per Ordinary Share (Quarter ended 31 December 2019 at 1.375p per Ordinary Share)	805	1,107
Third interim dividend declared and paid in respect of the quarter ended 31 March 2021 at 1.25p per Ordinary Share (Quarter ended 31 March 2020 at 0.825p per Ordinary Share)	1,007	664
Total dividends paid during the year	**3,965**	**3,985**
Fourth interim dividend declared and paid in respect of the quarter ended 30 June 2020 at 1.425p per Ordinary Share (Quarter ended 30 June 2019 at 1.375p per Ordinary Shares*)	(1,147)	(1,107)
Fourth interim dividend declared and paid in respect of the quarter ended		

30 June 2021 at 1.64p per Ordinary Share (Quarter ended 30 June 2020 at 1.425p per Ordinary Shares*)	1,320	1,147
Total dividends in respect of the year	**4,138**	**4,025**
Total dividends in respect of the year (pence per share)	**5.14**	**5.00**

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

7. Issued share capital

	For the year ended 30 June 2021		For the year ended 30 June 2020	
	£'000	**Number of Ordinary Shares**	**£'000**	**Number of Ordinary Shares**
Ordinary Shares issued and fully paid at a nominal value of £0.01 per Ordinary Share				
At the beginning and end of the year	805	80,500,000	805	80,500,000

8. Events after reporting date
Dividend

On 2 August 2021, the Board declared an interim dividend of 1.64 pence per share in respect of the period from 1 April 2021 to 30 June 2021. This was paid on 31 August 2021 to shareholders on the register as at 13 August 2021. The ex-dividend date was 12 August 2021 (2020: 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).

EPRA Unaudited Performance Measure Calculations

EPRA Yield calculations		**30 June 2021 £'000**	**30 June 2020 £'000**
Investment properties - wholly owned		109,230	104,760
Allowance for estimated purchasers' costs		7,100	7,857
Gross up completed property portfolio valuation	B	**116,330**	**112,617**
Annualised cash passing rental income		6,965	6,496
Property outgoings		(55)	(55)
Annualised net rents	A	**6,910**	**6,441**
Add: notional rent expiration of rent free periods or other lease incentives		1,171	1,407
Topped-up net annualised rent	C	**8,081**	**7,848**
EPRA NIY	A/B	5.94%	5.72%
EPRA "topped-up"	C/B	6.95%	6.97%

EPRA Cost Ratios		**2021**	**2020**
Include:			
Administrative/operating expense line per IFRS income statement		876	1,492
Property operating expense		448	56
EPRA Costs (including direct vacancy costs)	A	1,324	1,548
Direct vacancy costs		-	-
EPRA Costs (excluding direct vacancy costs)	B	1,324	1,548
Gross Rental Income (C)	C	7,210	7,351
EPRA Cost Ratio (including direct vacancy costs)	A/C	18.36%	21.06%
EPRA Cost Ratio (excluding direct vacancy costs)	B/C	18.36%	21.06%

Vacancy rate	**2021 £'000**	**2020 £'000**
ERV vacant	-	-
ERV total	6,927	6,729

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 on page 93. 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.alternativeincomereit.com.

Annual and Interim Reports

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

Financial Calendar

31 December 2021 Half-year end
March 2022 Announcement of interim results
30 June 2022 Year end
October 2022 Announcement of annual results

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.
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.
	International financial reporting standards adopted pursuant to

IFRS	Regulation (EC) No 1606/2002 as it applies in the European Union. On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board.
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).

Shareholder Information

Directors

Alan Sippetts (Independent non-executive Chairman)
Jim Prower (Independent non-executive Director)
Adam C Smith (Non-executive Director)

Company Website

https://www.alternativeincomereit.com/

Registered Office

1 King William Street
London
EC4N 7AF

AIFM

Langham Hall Fund Management LLP
1 Fleet Place
8th Floor
London
EC4M 7RA

Property Manager

Mason Owen and Partners Limited
7th Floor
20 Chapel Street
Liverpool
L3 9AG

Corporate Broker

Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

Legal Adviser to the Company

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Depositary

Langham Hall UK Depositary LLP
8th Floor
1 Fleet Place
London
EC4M 7RA

Investment Adviser and Administrator

M7 Real Estate Limited
3rd Floor
The Monument Building
11 Monument Street
London
EC3R 8AF

Consultant Portfolio Manager

King Capital Consulting Limited
140a Tachbrook Street
London
SW1V 2NE

Company Secretary

Hanway Advisory Limited
1 King William Street
London
EC4N 7AF

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Auditor

Moore Kingston Smith LLP

Devonshire House
60 Goswell Road
Barbican
London
EC1M 7AD

Valuer
Knight Frank LLP
55 Baker Street
London
W1U 8AN

Communications Advisor
Maitland/AMO
3 Pancras Square
London
N1C 4AG

END

FR KKLFLFKLFBBE