RESULTS FOR THE YEAR ENDED 30 JUNE 2022

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Alternative Income REIT PLC
29 September 2022

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29 September 2022

ALTERNATIVE INCOME REIT PLC

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

Annual Report and Financial Statements for the year ended 30 June 2022

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 2022.

Financial Highlights

As at 30 June

	2022	2021	Change
Net Asset Value ('NAV')	£77.6 million	£68.9 million	+12.6%
NAV per share	96.4p	85.6p	+12.6%
Share price	82.1p	71.0p	+15.6%
Loan to gross asset value ('GAV') [A]	33.7%	36.3%	-
Loan Facility	£41 million	£41 million	-

For the year ended 30 June

	2022	2021	Change
EPRA earnings per share [A]	6.27p	5.55p	+13.0%
Adjusted earnings per share [A]	5.57p	5.07p	+9.9%
Dividend cover [A]	101.27%	98.6%	+2.7%
Total dividends per share	5.5p	5.14p	+7.0%
Dividend yield [A]	6.7%	7.2%	-0.5%
Operating profit (including gain on sale of investment property)	£6.6 million	£6.3 million	+4.8%
Profit before tax	£13.2 million	£5.6 million	+135.7%
Earnings per share ('EPS')	16.36p	6.92p	+136.4%
Share price total return [A]	24.3%	43.5%	-
NAV total return [A]	22.5%	8.3%	-
Investment property fair value (based on external valuation)	£117.9 million	£109.2 million	+8.0%
Annualised passing rent	£7.2 million	£7.0 million	+2.9%
Ongoing charges [A] (annualised)	1.42%	1.27%	+15bps

A Alternative Performance Measure; full calculations are set out following the financial statements.

Highlight Notes

- The majority of the NAV increase to 96.4 pence per share (pps) is due to the £8.7 million (8%) valuation uplift in investment properties, which primarily came from improved market conditions, following the last year's COVID-19 negative impact on valuations.
- A healthy dividend yield of 6.7%; the 0.5% decrease from the prior year being a result of the Company's rising share price.
- Dividends in respect of the year total 5.5pps: a substantial 7.0% increase from the previous year and in line with the Board's target annual dividend.
- Profit before tax increased 135.7% to £13.2 million and earnings per share to 16.36pps for the year. The majority of this increase is due to the £8.7 million valuation uplift in investment properties.
- Loan to GAV ratio of 33.7% with significant headroom on the lender's loan to value covenant of 60% and interest cover covenant of 250%. The loan matures in 2025 and is fixed at a weighted average interest cost of 3.19%.

Operational Overview

At the Group's Year End of 30 June 2022:

- The Group's property portfolio had a fair value of £117.9 million across 19 properties (2021: £109.2 million across 19 properties).
- On a like-for-like basis, excluding the newly acquired and disposed asset, the 18 properties held throughout the year were valued at £112.8 million at 30 June 2022 (2021: £103.9 million), a valuation increase of £8.9 million or 8.6%.
- The EPRA Net Initial Yield A ('NIY') was 5.7% (2021: 5.9%).
- The portfolio had Annualised Gross Passing Rental Income A of £7.2 million across 19 properties (2021: £7.0 million across 19 properties).
- 96% of the Group's income is inflation linked to Retail Price Index ('RPI') or Consumer Price Index ('CPI').
- The assets were fully let at both the current and previous year end.
- The weighted average unexpired lease term ('WAULT') was:
  - 17.5 years to the earlier of break and expiry (2021: 17.8 years)
  - 19.4 years to expiry (2021: 19.8 years).

Income and Expense During the Year

- Rent recognised was £7.5 million (2021: £7.2 million), of which, £0.5 million was accrued debtors for the combination of minimum uplifts and rent-free period (2021: accrued debtors of £0.5 million).
- Ongoing charges increased from 1.27% to 1.42%. The Board has continued in its effort to carefully control costs, and a significant part (0.13%) of the 0.15% increase was as a result of the Investment Adviser's waiver of fees in the prior year.

Property Transactions During the Year

- On 1 December 2021, the Group completed the disposal of the freehold interest in the Audi car showroom in Huddersfield to the occupier for £5.50 million, representing a 3.80% premium on the book value at 30 June 2021 and a net exit yield of 6.75%.
- On 28 January 2022, the Company completed the acquisition of the Volvo car showroom in a prime location on the A4 Bath Road, Slough for £5.0 million with a materially longer WAULT of 15 years. This acquisition redeployed the net proceeds from the Group's disposal of its Audi car showroom in Huddersfield.

Operational highlights after the year end

- On 2 August 2022 the Board declared an interim dividend of 1.60pps in respect of the quarter ended 30 June 2022. This was paid on 26 August 2022 to shareholders on the register at 12 August 2022. The ex-dividend date was 11 August 2022.
- By 22 September 2022, the Group had collected 100% of rent for the 4 rental quarters of the financial year being reported. All rent deferred due to COVID-19 has been paid.

Outlook

- The Group is continuing to deal with a backdrop of global and recent UK-centred economic headwinds impacting the UK commercial property sector.
- The Company's resilient portfolio of 19 investment properties continues to provide investors with long-dated higher yielding income, of which 96% is linked to inflationary growth, and with a weighted average unexpired lease term to break of 17.5 years. The portfolio also provides investors with exposure to a diverse range of alternative investment sectors and its existing Canada Life senior debt facility eliminates the Group's exposure to increasing debt costs.
- Over the next 12-month financial period, 66% of the Group's incomes will be reviewed (44% annual index-linked rent reviews and 21% periodic index-linked rent reviews (5 years since the previous reviews)), helping to support our focus on delivering an increasing dividend that is fully covered.

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

"Against a backdrop of global and recent UK-centred economic headwinds impacting the UK commercial property sector, the Board remains convinced by the fundamentals of the Group's resilient diversified portfolio of long-dated higher yielding income, which is 100% let and benefits from 100% rent collection. We are committed to further enhancement of both income and capital growth supported by 96% of the Group's income having inflation linked upwards only rent reviews, active asset management opportunities and opportunistic transactions.

We have met our 5.5pps fully covered dividend target and achieved an NAV increase of 12.6%, which equates to an NAV total return of 22.5% and a share price return of 24.3% in the period. Our focus is on generating an increasing dividend which is fully covered, and our recent dividend increase is testament to the Board's confidence in the long-term value we expect to deliver to our shareholders."

ENQUIRIES

Alternative Income REIT PLC
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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 index 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. It has over 220 employees in 15 countries across Europe. The team manages over 570 properties with a value of circa €4.9 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 2022.

Following the successful vaccination programme which allowed the government to ease COVID-19 restrictions, the Russia-Ukraine war has had wide-ranging macroeconomic effects, increasing inflationary pressures and supply chain disruption to many industries, which have been recently exacerbated in the UK. Throughout these challenges, our 100% let portfolio has demonstrated its resilience, and the Directors are pleased that we have been able to pay an increased dividend of 5.5pps (2021: 5.14pps), meeting the target of a 5.5pps fully covered dividend for the year ended 30 June 2022. Furthermore, through increases in the portfolio valuation and income earned during the year, the Net Asset Value ('NAV') per share has increased by 12.6% to 96.40pps.

We are very pleased to report a share price total return of 24.3% and a NAV total return of 22.5% to shareholders for the year, demonstrating that the Company continues to provide our shareholders with attractive, secure, long dated income and capital growth.

As announced in our results for the half year ended 31 December 2021, on 1 December 2021 we completed the disposal of the freehold interest in the Audi car showroom in Huddersfield to the occupier for £5.5 million, representing a 3.8% premium on the book value as at 30 June 2021 and a net exit yield of 6.75%. On 28 January 2022, we were also delighted to announce that we had swiftly redeployed these proceeds through the acquisition of a state-of-the-art car showroom let to Volvo for £5.0 million (net of acquisition costs to the Company) with a materially longer WAULT of 15 years.

Furthermore, a total of 12 rent reviews took place during the year with a combined uplift of £259,000 representing a 3.9% increase in contracted rent across the portfolio, further enhancing income.

Portfolio Performance

The near full deployment of the Group's funds for the whole year resulted in headline rent of £7.5 million during the year, of which, £0.5 million was accrued debtors for the combination of minimum contracted uplifts and rent-free periods (2021: £7.2 million; accrued debtors of £0.5 million).

At 30 June 2022, the Group's property portfolio had a fair value of £117.9 million (2021: £109.2 million). The portfolio had a net initial yield of 5.7% (2021: 5.9%), and a WAULT to the first break of 17.5 years, 19.4 years to expiry (2021:

17.8 years to first break, 19.8 years to expiry).

Financing
The Group has fully utilised its £41 million loan facility with Canada Life Investments throughout the year. The weighted average interest cost of the facility is 3.19% and it 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 prepayment fee, which at 30 June 2022 was £486,088.

Dividends and Earnings
The Company declared three interim dividends of 1.30pps each and a fourth interim dividend of 1.60pps in respect of the financial year, totalling 5.5pps (2021: four dividends totalling 5.14pps), representing an increase of 7.0% and meeting our target dividend ahead of schedule. This underlines the Company's strong rent collection and cash flows.

As set out in Note 8 to the Consolidated Financial Statements, these dividends were covered by both EPRA Earnings [A] of 6.27pps (2021: 5.55pps), and the Group's Adjusted EPS (representing cash) of 5.57pps (2021: 5.07pps).

It is the Board's intention to continue to pay four equally spaced dividends each year, with payments in November, February, May and August. In order to do this, all must be paid as interim dividends which prevents shareholders having the opportunity to vote on a final dividend. Recognising this, and though not required, the Board have added a dividend policy setting out the above dividend payment schedule and, by resolution 9 of the AGM notice, have given shareholders the opportunity to vote on this policy.

Discount
The discount of the share price to NAV at the year end had narrowed slightly to 14.8% from 17.0% at the previous year end. The Board monitors the discount level throughout the year and has the authority to both issue and buy back shares. Although these powers have not been used to date, the Board believe these authorities are important powers for it to have available if required, and therefore recommend that shareholders vote in favour of their continuance.

Board Composition
As a board of only three directors, there has been considerable change in the year with the resignation of Jim Prower and the appointment on the same day of Stephanie Eastment as an independent non-executive director and Audit Committee Chair. Jim takes with us our thanks for his hard work throughout the life of the Company which included the change of the Investment Adviser - no mean undertaking - and his wealth of commercial expertise. Stephanie joined us on 1 October 2021 so has been on the Board for the majority of the financial year being reported. Her experience and knowledge has been very welcome, and her biography can be found in the Board of Directors section.

After serving on the Board for over five years and having guided the Company through a period of stabilisation, cost control and having provided continuity of historical knowledge following director changes over the last two years, I intend to step down as a Director and Chair of the Company. A formal recruitment process for my replacement will be carried out, and I will remain as Director and Chair until this process has been completed. A further announcement will be made in due course.

Continuation Resolution
At our upcoming Annual General Meeting (AGM) on 10 November 2022, we will be presenting a resolution for shareholders to consider whether the Company should continue its business as presently constituted, as required under the Company's Articles of Association.

The Board's focus for the last two years has been to maximise rent collection, income distribution and returns to shareholders, whilst maintaining a low operating cost base and taking initiatives within the Group's current portfolio of assets. This year has demonstrated that the Company has an attractive, well-managed and resilient portfolio which continues to increase in value with growing contracted rents, 96% of which are linked to inflation and with 100% rent collection. The Board believes that the Company can continue to deliver strong returns. Consequently, and following detailed consideration by the Board which took into account the advice of the Company's broker and views of major shareholders, the Board considers that the Company should continue in its current form and therefore recommend shareholders vote in favour of the resolution. The Directors have confirmed their intention to vote their shareholdings in favour of continuation.

The Board will continue to canvas the views of shareholders, including in the lead up to the maturity of the current debt facility in October 2025, to ensure that the strategy adopted by the Board for your Company continues to be in the best interests of shareholders.

AGM
The Company will hold its AGM at 10am on 10 November 2022 at The Monument Building, 11 Monument Street, London EC3R 8AF. The AGM will be in its traditional format, though this is subject to there being no re-introduction of any Government restrictions preventing this. The Investment Adviser will give a presentation on the Company and the investment outlook before the AGM.

I always welcome engagement by shareholders at the AGM. Shareholders may also submit questions to myself, my fellow directors and the Investment Adviser by emailing cosec@hanwayadvisory.com or by writing to Alternative Income REIT plc, 1 King William Street, London EC4N 7AF.

Outlook
The Board remains convinced by the fundamentals of the Group's resilient portfolio and is committed to further enhancement of both income and capital growth through the inflation linked upwards only rent reviews, active asset

management opportunities and opportunistic transactions. Having achieved the major milestone set out in the Company's prospectus of the dividend target of 5.5p, our focus is on generating an increasing dividend which is fully covered by 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.

We remain cognisant of the discount in the Company's share price to NAV and continue to explore initiatives and opportunities to narrow this discount and increase liquidity. The Company's share price has increased in the year by 15.6% to 82.10p as at 30 June 2022. We continue to believe there is a significant market opportunity for certain property sectors in the UK and are confident that delivering on our outlined strategy will continue to support our share price and improve liquidity, which in turn should narrow the discount.

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
28 September 2022

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 Alternative Investment Fund Manager ('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.

Dividend Policy
It is the Directors' intention to pay dividends in line with the Company's investment objective with interim dividends payable by four instalments quarterly in November, February, May and August in respect of each financial year to June. Additionally, the dividend policy allows for the payment of further interim dividends should compliance with the REIT rules require.

Key Performance Indicators

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
Net Initial Yield ('NIY')[A]		**5.70%**
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 Group to meet its target dividend after adjusting for the impacts of leverage and deducting operating costs.	At 30 June 2022 (2021: 5.94%)
Weighted Average Unexpired Lease Term ('WAULT') to break		**17.5 years to break and 19.4**

and expiry		**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 2022 (2021: 17.8 years to break and 19.8 years to expiry)
Net Asset Value ('NAV') per share		**£77.60 million /96.40pps**
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 2022 (2021: £68.89 million, 85.58pps)
Dividend per share		**5.50pps**
Dividends declared in relation to the period are in line with the stated dividend target as set out in the Prospectus at IPO. Having achieved the target dividend of 5.5 pence per Ordinary Share per annum, the aim now is to ensure an increasing dividend in line with the Company's Investment Objective.	The Group seeks to deliver a sustainable income stream from its portfolio, which it distributes as dividends.	For the year ended 30 June 2022 (2021: 5.14pps)
Adjusted EPS[A]		**5.57pps**
Adjusted EPS from core operational activities, as adjusted for non-cash items. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See Note 8 to the Consolidated Financial Statements.	This reflects the Group's ability to generate earnings from the portfolio which underpins dividends.	For the year ended 30 June 2022 (2021: 5.07pps)
Leverage (Loan-to-GAV)[A]		**33.69%**
The proportion of the Group's assets 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 2022 (2021: 36.34%)

[A] is considered by the Directors to be an Alternative Performance Measure (APM). The NIY calculation is the same calculation as that for EPRA NIY, which is set out in the EPRA Performance Measure Calculation following the financial statements. Adjusted EPS and Loan-to-GAV are also considered by the Directors to be APMs. Their calculations are set out in note 8 of the consolidated financial statements and following the financial statements respectively.

EPRA Performance Measures

Detailed below is a summary table showing the EPRA performance measures (which are all alternative performance measures) in the Group.

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
EPRA NIY[1] - unaudited		**5.70%**
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 2022 (2021: 5.94%)
EPRA 'Topped-up' NIY[1] - unaudited		**6.41%**

This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of two portfolios compare.	At 30 June 2022 (2021: 6.95%)
EPRA NAV[2]		**£77.60 million/96.40pps**
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 2022 (2021: £68.89 million/85.58pps)
EPRA Net Reinstatement Value[2]		**£84.77 million/105.31pps**
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.	At 30 June 2022 (2021: £72.53 million/90.09pps)
EPRA Net Tangible Assets[2]		**£77.11 million/95.79pps**
The EPRA NTA deducts the break cost of bank borrowings from the EPRA NAV and any unavoidable deferred tax.	A measure that assumes entities buy and sell assets, thereby crystallising certain levels of avoidable deferred tax liability. The Group has UK REIT status and as such no deferred tax is required to be recognised in the accounts.	At 30 June 2022 (2021: £65.43 million/81.27pps)
EPRA Net Disposal Value[2]		**£77.11 million/95.79pps**
The EPRA NDV deducts the break cost of bank borrowings from the EPRA NAV.	Represents shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	At the year ended 30 June 2022 (2021: £65.43 million/81.27pps)
EPRA Earnings/EPS[2]		**£5.05 million/6.27pps**
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.	For the year ended 30 June 2022 (2021: £4.47 million/ 5.55pps)
EPRA Vacancy[1] - unaudited		**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.	At 30 June 2022 (2021: 0.00%)
EPRA Cost Ratio[1] - unaudited		**13.79%**
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.	For the year ended 30 June 2022 (2021: 18.36%)

[1] The reconciliation of this APM is set out in the EPRA Performance Measures Calculations section following the Notes to the Consolidated Financial Statements.

[2] The reconciliation of this APM is set out in Note 8 of the Notes to the Consolidated Financial Statements.

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

Whilst the 2021 Investment Adviser's Report spoke in detail about primarily COVID-19, H2'2021 and H1'2022 presented the Group with a new set of obstacles to deal with, including soaring inflation, increasing debt costs and decreasing consumer confidence, all of which have an impact on real estate investment and its performance.

The Company's 19 investment properties continue to provide investors with long-dated higher yielding income, with an average unexpired lease term to break of 17.5 years, of which 96% is linked to inflationary growth, adding 3.9% to the income profile this year. The portfolio also provides investors with exposure to a diverse range of alternative investment sectors and its existing Canada Life senior debt facility eliminates the Group's exposure to increasing debt costs.

The portfolio has shown resilience to the headwinds being experienced throughout the UK commercial real estate market. At 30 June 2022, 16% of the tenants are contractually invoiced monthly, whilst the remaining 84% are invoiced quarterly and 100% of rents due have been collected for the four quarter days of H2'2021 and H1'2022.

During the year the Group completed the disposal of Audi, Huddersfield to the occupier for £5.5 million, a 3.8% premium on the book value at 30 June 2021. The proceeds from the sale were used to acquire Volvo, Slough, at a net initial yield of 5% in an off market transaction.

Following the portfolio's resilience over the past year, it's continued performance improvement with a strong and improving dividend, M7 remains optimistic despite the risks surrounding the UK economy and real estate market.

Market Outlook

UK Economic Outlook
Just as the UK economy returned to its pre-pandemic size, new shocks hit the global economy. The invasion of Ukraine and renewed lockdowns in China put upward pressure on commodity prices while keeping supply chains under strain. There are growing concerns that a combination of policy actions to combat inflation and any further fallouts as a result of geopolitical tensions will bring about another recession.

The half year report for December 2021 commented on headline UK GDP growth in 2022 of between 4.5% and 5.1%. However, updated analysis by KPMG expects GDP growth to decrease to 3.2% for 2022 before slowing further to 0.7% in 2023. This is primarily driven by the cost-of-living crisis and rising tax burden negatively impacting consumer confidence, which will adversely affect spending.

One of the key economic changes impacting real estate investment in 2022 is the increasing cost of debt. There has already been a series of interest rate increases by the Bank of England in 2022, and some, including KPMG, expect there to be two further increases before the end of the year in order to combat rising inflation. The current increase in inflation will positively impact the income profile of the Company with 96% of tenants having index linked rent reviews, though the likely reaching of caps on some future rent reviews will for the first time limit increases but also prevent overburden on tenants.

The risks to most UK economic outlooks are skewed to the downside. A sharper deterioration in the external environment causing a recession in some of the UK's major trading partners, coupled with rising debt costs, rising inflation and a stronger fall in consumer spending in the UK, could see the UK economy enter a mild recession next year, with manufacturing and financial services likely to be among the worst affected sectors.

UK Real Estate Outlook
Whilst the 2021 half year report for December 2021 spoke of a renewed sense of optimism within the UK real estate sector, with the UK showing an improving economy and the labour market holding stable following the removal of the furlough scheme, it is now becoming clear that the UK commercial real estate market is facing headwinds.

With debt costs having increased throughout H1'2022, Savills reported that for the third month in a row, the average prime yield remained static showing only a four basis point fall during this period. Commercial real estate, as with most asset classes, is looking at the combined issues of inflation and recession.

Looking at the above in more granular detail, June 2022 saw the flattening of yields in five of the sub sectors, which previously trended downwards: Southeast Offices, Retail Warehousing, Food Stores, Industrial Logistics and Industrial Multi-let. Yields for the High Street and Shopping Centre retail sectors continued to trend downwards reflecting improved sentiment to the sectors but are still much higher than pre-pandemic levels by 75 and 100 basis points respectively. The diversified nature of the AIRE portfolio combined with June 2022 valuation gains, provides evidence of the portfolios ability to mitigate the impacts of a market downturn.

Reports from Lambert Smith Hampton confirmed in Q1'2022 that, amid concerns over the cost-of-living crisis and the war in Ukraine, the UK investment market demonstrated clear resilience. £16.7bn of property assets changed hands during Q1 2022, just 3% shy of Q4 2021's six-year high of £17.3 billion. Notably, despite the outbreak of the war in late February, activity was consistent throughout Q1, with volumes in March comparable with each of the previous months. With that being said, the current rising inflation combined with increasing debt costs, has caused a slowdown in property asset transactions, with many investors taking some downtime whilst they assess where both variables are heading.

2021 saw an emphasis placed on the importance of ESG related credentials and 2022 has seen that continue. Normally associated with sustainability, and gaining in prominence, ESG has quickly been established as an ethical priority for businesses, both large and small. It has become a central aspect of how businesses define themselves. This is having significant impact on the occupational market with perspective tenants taking ESG values into account when considering their next premises move and making ESG related credentials a key selling point. Furthermore, investors are seeing their equity come with ESG related caveats, ensuring it takes a key role in investment decisions and the deployment of capital.

Portfolio Activity During the Year
The following asset management initiatives were undertaken during the year:

- **Rent Reviews:** A total of 12 rent reviews took place during the year with a combined uplift of £259,000 representing a 3.9% increase in contracted rent across the portfolio.

- **Audi, Huddersfield** was sold for £5.5 million on 1 December 2021 to the occupier.
- **Volvo, Slough** was acquired for £5.0 million on 28 January 2022, with the rent review settled on 17 March 2022 at £281,124 per annum.
- **Pocket Nook Estate, St Helens:** BGEN Limited have extended their lease for Unit 2 until 2027 with a break in 2025, at an increased rent of £145,000 p.a. with 4 months' rent-free spread over 12 months. In addition, they have taken a further co-terminus lease at £50,000 p.a. rising to £63,750 p.a. of 0.75 acres of adjacent land. Ayrshire Metals, having closed their operation in St Helens, have assigned their lease to Kingscrown Land & Commercial Limited with a sub-letting to Prospect Engineering (MIA) Limited.
- **Hoddesdon Energy** have placed their advanced thermal treatment plant in Hoddesdon on standby whilst they look for a buyer for their business.
- **Travelodge, Swindon:** Travelodge Hotels Limited are now paying 100% of contracted rent (increased at review in June 2021 to £403,148 p.a.), following company voluntary agreement ('CVA') proceedings in 2020. As previously reported, following works to replace the combustible cladding elements uncovered on part of the property, with non-combustible replacements and to remediate the fire/smoke stopping completed in December 2020, both the architect and cladding sub-contractor involved are being pursued for reimbursement of the costs of £1,056,000.

NAV Movements

For the year ended 30 June 2022	2022 Pence per share	2022 £ million	2021 Pence per share	2021 £ million
NAV at beginning of year	85.58	68.89	83.58	67.29
Change in fair value of investment property	9.97	8.02	0.85	0.68
Income earned for the year	9.81	7.90	9.20	7.41
Gain on sale of property	0.12	0.10	0.53	0.42
Finance costs for the year	(1.77)	(1.42)	(1.77)	(1.42)
Other expenses for the year	(1.77)	(1.43)	(1.89)	(1.52)
Dividends paid during the year	(5.54)	(4.46)	(4.92)	(3.97)
NAV at the end of the year	**96.40**	**77.60**	**85.58**	**68.89**

Valuation

At the year end the Group owned 19 assets. The fair value of these 19 assets had increased from £109.2 million at 30 June 2021 to £117.9 million at the year end, an increase of £8.7 million or 8.0%.

The Group has experienced valuation increases across the majority of the Group's assets. The best performances came in the industrial and retail warehouse sectors, showing annual increases of 15-25%. Slower to react, following the pandemic have been the hotel, student accommodation & automotive sectors which have seen uplifts during 2022.

Summary by Sector at 30 June 2022

Sector	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)	ERV (%)
Industrial	4	26.4	22.3	100.0	25.8	1.55	1.56	22.3
Hotel	3	22.3	19.0	100.0	13.9	1.60	1.45	20.7
Automotive & Petroleum	3	18.6	15.8	100.0	26.5	1.14	1.10	15.7
Healthcare	3	17.5	14.8	100.0	14.0	1.02	0.99	14.1
Student Accommodation	1	13.5	11.5	100.0	19.1	0.67	0.67	9.6
Leisure	2	5.8	4.9	100.0	7.3	0.37	0.38	5.6
Retail	1	5.2	4.4	100.0	9.7	0.33	0.33	4.8
Power Station	1	6.4	5.4	100.0	5.0	0.40	0.38	5.3
Education	1	2.2	1.9	100.0	21.6	0.13	0.13	1.9
Total/Average	**19**	**117.9**	**100.0**	**100.0**	**17.5**	**7.21**	**6.99**	**100.0**

Summary by Geographical Area at 30 June 2022

Geographical Area	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)	ERV (%)
West Midlands	4	29.9	25.4	100.0	12.3	1.90	1.85	26.4
North West & Merseyside	2	24.3	20.6	100.0	35.9	1.24	1.23	17.7
South East	5	25.7	21.8	100.0	11.4	1.40	1.34	19.2

excluding London								
South West	2	13.4	11.4	100.0	22.6	0.86	0.81	11.6
Yorkshire and the Humber	2	6.6	5.6	100.0	19.6	0.43	0.42	6.0
Scotland	1	7.0	5.9	100.0	14.2	0.68	0.61	8.7
London	2	5.8	4.9	100.0	7.3	0.37	0.40	5.6
Eastern	1	5.2	4.4	100.0	9.7	0.33	0.33	4.8
Total/Average	**19**	**117.9**	**100.0**	**100.0**	**17.5**	**7.21**	**6.99**	**100.0**

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	69.6% (2021: 65.0%)
Expiry or Open Market Value Reviews	4.1% (2021: 13.0%)
Inflation linked - CPI	26.3% (2021: 22.0%)

Property Portfolio

Property Portfolio at 30 June 2022

Property	Sector	Region	Market Value (£m)
1. Bramall Court, Salford	Student Accommodation	North West & Merseyside	13.5
2. Pocket Nook Industrial Estate, St Helens	Industrial	North West & Merseyside	10.8
3. Premier Inn, Camberley	Hotel	South East excluding London	9.1
4. Grazebrook Industrial Estate, Dudley	Industrial	West Midlands	8.5
5. Motorpoint, Birmingham	Automotive & Petroleum	West Midlands	8.1
6. Silver Trees, Bristol	Healthcare	South West	7.1
7. Prime Life Care Home, Solihull	Healthcare	West Midlands	7.0
8. Mercure City Hotel, Glasgow	Hotel	Scotland	7.0
9. Droitwich Spa Retail Park, Droitwich	Retail	West Midlands	6.3
10. Travelodge, Duke House, Swindon	Hotel	South West	6.3
11. Volvo Slough, Slough	Automotive & Petroleum	South East excluding London	5.2
12. Hoddesdon Energy, Hoddesdon	Power Station	Eastern	5.2
13. Unit 2, Dolphin Park, Sittingbourne	Industrial	South East excluding London	5.0
14. Prime Life Care Home, Brough	Healthcare	Yorkshire and the Humber	4.5
15. Applegreen Petrol Station, Crawley	Automotive & Petroleum	South East excluding London	4.2
16. Pure Gym, London	Leisure	London	3.9
17. YMCA Nursery, Southampton	Education	South East excluding London	2.2
18. Unit 14, Provincial Park, Sheffield	Industrial	Yorkshire and the Humber	2.1
19. Snap Fitness, London	Leisure	London	1.9

Top Ten Tenants at 30 June 2022

Tenant	Property	Annual Contracted Rental Income (£ '000)	% of Portfolio Total Passing Rental Income	WAULT (Years)
Meridian Steel Ltd	Grazebrook Industrial Estate, Dudley and Provincial Park, Sheffield	716	9.9	4.9
Prime Life Ltd	Lyndon Croft Care Centre, Solihull and Westerlands Care Village, Brough	704	9.8	26.4
Jupiter Hotels Ltd	Mercure City Hotel, Glasgow	680	9.4	14.2
Mears Group Plc	Bramall Court, Salford	671	9.3	19.1
Premier Inn Hotels Ltd	Premier Inn, Camberley	504	7.0	9.7
Motorpoint Ltd	Motorpoint, Birmingham	500	6.9	15.0
Handsale Ltd	Silver Trees, Bristol	438	6.1	26.6
Travelodge Hotels Ltd	Duke House, Swindon	403	5.6	18.9

Hoddesdon Energy Ltd	Hoddesdon Energy, Hoddesdon	333	4.6	9.7
Volvo Car UK Ltd	Volvo Slough, Slough	281	3.9	14.7

Tenancy Schedule

Tenant	Property	Annual Contracted Rental Income (£ '000)	Break Date	Expiry Date
Mears Group Plc	Bramall Court, Salford	671		16/08/2041
Jupiter Hotels Ltd	Mercure City Hotel, Glasgow	660		23/08/2036
Premier Inn Hotels Ltd	Premier Inn, Camberley	504	25/03/2032	24/03/2037
Motorpoint Ltd	Motorpoint, Birmingham	500		24/06/2037
Handsale Ltd	Silver Trees, Bristol	438		14/01/2049
Prime Life Ltd	Prime Life Care Home, Solihull	412		21/11/2048
Travelodge Hotels Ltd	Duke House, Swindon	403		31/05/2041
Meridian Steel Ltd	Grazebrook Industrial Estate, Works 1 & 2, Dudley	347		21/05/2027
Hoddesdon Energy Ltd	Hoddesdon Energy, Hoddesdon	332	27/02/2032	26/02/2050
Prime Life Ltd	Prime Life Care Home, Brough	292		21/11/2048
Volvo Car UK Ltd	Volvo Slough, Slough	281		16/03/2037
B&M Bargains	Droitwich Spa Retail Park, Droitwich	272		31/08/2029
Dore Metal Services Southern Ltd	Unit 2, Dolphin Park, Sittingbourne	262	13/09/2028	12/09/2033
Pure Gym Ltd	Pure Gym, London	236	11/12/2027	10/12/2032
Petrogas Group UK Ltd	Applegreen Petrol Station, Crawley	234		16/07/2033
Meridian Steel Ltd	Grazebrook Industrial Estate, Works 1 & 2, Dudley	232		21/05/2027
Biffa Waste Services Ltd	Pocket Nook Industrial Estate, St Helens	156		24/02/2133
Sec. of State for Communities & Local Gov'mt	Pocket Nook Industrial Estate, St Helens	154		29/01/2048
BGEN Ltd	Pocket Nook Industrial Estate, St Helens	97**	05/04/2025	04/04/2027
Meridian Steel Ltd	Unit 14, Provincial Park, Sheffield	136		21/05/2027
Pets at Home	Droitwich Spa Retail Park, Droitwich	131		13/01/2023
MSG Life Realty Ltd	Snap Fitness, London	130		28/03/2033
YMCA Fairthorne Group	YMCA Nursery, Southampton	130		17/02/2044
Biffa Waste Services Ltd	Pocket Nook Industrial Estate, St Helens	111		31/03/2134
BGEN Ltd	Pocket Nook Industrial Estate, St Helens	50***	05/04/2024	04/04/2025
The Salvation Army Trustee Company	Duke House, Swindon	22		17/07/2032
Jupiter Hotels Ltd	Mercure City Hotel, Glasgow	20		31/08/2036
Ayrshire Metal Products Ltd	Pocket Nook Industrial Estate, St Helens	*		28/09/2045
Ayrshire Metal Products Ltd	Pocket Nook Industrial Estate, St Helens	*		28/09/2045
Ayrshire Metal Products Ltd	Pocket Nook Industrial Estate, St Helens	*		28/09/2045
Ayrshire Metal Products Ltd	Pocket Nook Industrial Estate, St Helens	*		28/09/2045
Camberley Properties Ltd	Premier Inn, Camberley	*		23/06/3010
Westlea Housing Association Ltd	Duke House, Swindon	*		17/09/3006
Southern Electric Parcel Distribution Plc	Premier Inn, Camberley	*		20/02/2111

* Ground rents less than £150 per annum.
** Increasing to £145,000 per annum on 25 April 2023
*** Increasing to £63,750 per annum on 5 April 2023

Environmental, Social and Governance

The Group recognises that Environmental, Social and Governance ("ESG") matters are of utmost importance to sustainable investment and a focus for the business and investor community. The Group is committed to understanding how best to consider ESG factors in all facets of its business, from business strategy to investment decisions and company operations.

In order to meet investors' expectations relating to ESG matters the Group and its advisers adopt both financial and non-financial strategies to drive long-term value with an innovative yet disciplined and conscientious approach to ESG in respect of the property portfolio management including but not limited to:

Environmental

- A proactive approach to procurement of Energy Performance Certificate ("EPC") reassessments ahead of Minimum Energy Efficiency Standards 2023, maintaining quarterly reviews of EPC schedules, identification of opportunities to improve energy efficiency, reduce greenhouse gas ("GHG") emissions and working closely with tenants who occupy under full repairing and insuring leases.
- Ongoing environmental reviews and audits as part of regular due diligence, including regular asset inspections to avoid any breach in environmental legislation.
- Responsible refurbishment in respect of all works to assets with consideration to the best approach to improving the EPC rating against potential spend, liaison with tenants in respect of any fit-out or alterations to carry out sustainable development and reuse of existing materials where feasible to reduce waste.
- 'Green lease' terms are incorporated in leases where feasible.
- Assets are operated in a manner to reduce overall energy and water consumptions as well as waste production, while maintaining tenant comfort and needs.
- Leverage technology for data management is used to monitor and drive improvement across environmental and social metrics.

Social

- Commitment to occupier engagement.
- Incorporation of social improvements to each asset such as installing defibrillators & electrical charging points.
- Provision of regular training and awareness to all managers on social issues, such as wellbeing and mental health

Governance

- Client checks are completed on all tenants as well as new suppliers and contractors.
- Regular tenant engagement and inspections to ensure assets are used as agreed within leases.
- Effective tracking of legislative requirements to assess and monitor risks and opportunities.

Diversity
As an externally managed business, the Company does not have any employees or office space. As such, the Group does not operate a diversity policy with regards to any administrative, management and supervisory functions. A description of the Board's policy on Director diversity can be found in the Corporate Governance Report of the Annual Report.

Employees
The Group has no employees and accordingly no requirement to report separately in this area as the management of the portfolio has been delegated to the AIFM and Investment Adviser.

The AIFM and Investment Adviser are equal opportunities employers who respect and seek to empower each individual and the diverse cultures, perspectives, skills and experiences within their workforce.

Human Rights
The Group is not within the scope of the Modern Slavery Act 2015 because it has not exceeded the turnover threshold and therefore no further disclosure is required in this regard.

Business Relationships
As well as the critical day-to-day portfolio management, the Group has a set of service providers that ensure the smooth running of the Group's activities. The Group's key service providers are listed in the Annual Report, and the Management Engagement Committee annually review the effectiveness and performance of these service providers, taking into account any feedback received.

The Group, AIFM and Investment Adviser and other third-party service providers maintain high standards of business conduct by acting in a collaborative and responsible manner with all its business partners that protects the reputation of the Group as a whole.

Greenhouse Gas Emissions
As an investment company, the Group's own direct environmental impact is minimal and greenhouse gas ('GHG') emissions are negligible, and as such the Company has not introduced measures to achieve energy efficiency. Information on the GHG emissions in relation to the Group's property portfolio are shown in the following section.

The Group has followed UK Government environmental reporting guidelines and used the UK Government 2020 greenhouse gas reporting conversion factors for company reporting to identify and report relevant GHG emissions over which it has operational control for the 12-month period to 30 June 2022.

An independent consultancy specialising in the application of sustainability in commercial real estate was appointed to calculate the GHG statement and provide verification on the approach used.

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

Scope 1 (not relevant to AIRE): Direct emissions from owned vehicles, controlled boilers and fugitive emissions from air conditioning systems under landlord control.

Scope 2: Indirect emissions from electricity purchased by the Company and consumed within real estate assets owned by the Company.

Scope 3: Indirect emissions from electricity and gas purchased/consumed within AIRE assets, by tenants, where the tenant is counterparty to the energy supply.

Statement of GHG emissions
The table below sets out the emissions per sector and for the Group overall in the year ended 30 June 2022. The approach taken follows guidance provided by the GHG Reporting Guidelines (BEIS, 2019) and EPRA Best Practice Recommendations of Sustainability Reporting 2017. The Group has little or no control over energy purchased over the majority of its assets. However, there are two properties where there is some form of control being Droitwich Spa Retail Park (retail park), and Pocket Nook Industrial Estate (industrial warehouse), and their scope 2 and 3 emissions respectively are set out below. The retail park was purchased in December 2020 and the data is incomplete for the period prior to this. Like-for-like comparison can therefore not be provided between 2020/21 and 2021/22.

Sector	**Scope**	**Absolute tonnes of carbon dioxide equivalent (tCO_2e)**		**Like-for-like comparison of carbon dioxide equivalent (tCO_2e)**	
		2020/21	**2021/22**	**Difference (tCO_2e)**	**% Change**
Retail park	Scope 2	0.59	1.44	N/A	N/A
Industrial warehouse	Scope 3 - Electricity	104.11	82.21	-21.9	-21%
Total	**Scope 2 & 3**	**104.7**	**83.65**	**-21.9**	**-21%**

Statement of Energy Usage
The table below sets out the energy use per sector and for the Group overall. The approach follows guidance provided by the GHG Reporting Guidelines (BEIS, 2019) and the EPRA Best Practice Recommendations on Sustainability Reporting 2017.

Sector	**Energy Source**	**Absolute energy usage (kWh)**		**Like-for-like energy usage (kWh)**	
		2020/21	**2021/22**	**Difference 2020/21 (kWh)**	**% Change 2021/22**
Retail park	Electricity	446,568	425,106	-21,462	-5%
Industrial warehouse	Electricity	2,555	7,454	N/A	N/A
Total	**Electricity**	**449,123**	**432,560**	**-21,462**	**-5%**

Intensity Ratios
In addition to reporting relevant absolute GHG emissions (per scope and per sector), the Group has chosen to report intensity ratios, where appropriate. An intensity measure is reported for assets within the like for like portfolio, where:

- No major renovation or refurbishment has taken place i.e. affecting more than 50% of the building by area or number of occupants
- Occupancy is at least 75%
- At least 24 months data is available

Whilst no landlord meters reflect the above criteria for an intensity metric, the Group has applied an intensity figure for one asset, Pocket Nook of 0.013 tCO_2e/m^2 for the year ended 30 June 2022, where the landlord procures the energy and directly recharges this to the tenant. An intensity metric has not been produced for Droitwich Spa retail park on the basis that the landlord-controlled meter does not reflect the above criteria (less than 12 months data available from the previous reporting year).

No normalisation factors have been considered for this annual report.

Assurance statement
The Group's GHG emissions have been calculated and verified by an independent third-party in accordance with the principles of ISO 14064. A full copy of the methodology used, including scope, source or data and conversion factors, is available on request.

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) of the Companies Act 2006, in promoting the success of the Company for the benefit of members as a whole.

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.

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 changes to the Company's NAV and thus the share price and dividends.	• Attractive and sustainable level of income, earnings and dividends. • Long-term income stream linked to inflationary growth. • Robust corporate governance structure and well-performing service providers. • Strategic direction of the Company. • Execution of investment objective. • Value for money - low ongoing charges.	• Shareholder engagement is set out above. • As a publicly listed Company, the Company is subject to Listing Rules and other regulatory disclosure requirements which the Board abides by with the assistance of the Company Secretary and Corporate Broker.	The effect of shareholder engagement has fed into each aspect of the Board's decision-making. The total aggregate dividends for the year have increased compared to the prior year and the Board has also worked to keep expenses under control. This, alongside, asset management initiatives to enhance the income stream, have resulted in a strong total shareholder return.
Service Providers As an externally managed REIT, the Company conducts all its business through its service providers, the key ones being the Investment Adviser, Property Manager, Company Secretary, AIFM, Depositary and Corporate Broker.	• Reputation of the Company, and maintaining high standards of business conduct. • Productive working relationships with the Company. • Fair and transparent service agreements. • Collaboration.	• Effective and consistent engagement both through formal Board meetings and regularly outside the meetings. • Annual evaluation of key service providers. • Culture set by the Board and communicated to all providers.	Clear and effective strategic oversight and culture 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 and to ensure that the Company's values are aligned with them.
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.	• Positive working relationship with the Board, Investment Advisor and Property Manager. • Rent reviews • Fair lease terms • Long-term strategy and alignment with the tenant's business operations. • Financial stability of tenants.	• To ensure the Investment Adviser and Property Manager generate and foster good relationships with our tenants. • Focus on asset management initiatives to assist our tenants where applicable.	Following the removal of national lockdown restrictions in response to COVID-19, all outstanding arrears/deferrals have been repaid. All rent reviews due in the year have been successfully negotiated and extension to leases have been agreed for Pocket Nook, as set out in the Investment Adviser's Report.
Debt provider The Group maintains a positive working relationship with its debt provider, Canada Life.	• Compliance with loan covenants. • Responsible portfolio management.	• Ongoing engagement by the Investment Adviser throughout the year and by the Board if required.	Board strategic and detailed oversight by the Board has ensured enhanced application of covenants and improved process.
Society and the environment As an investor in real estate, the Company's assets have an impact on the built environment. Environmental, Social and Governance ('ESG') factors increasingly apply alongside of financial returns.	• Responsible investing together with sustainability. • Long-term strategy to take account of ESG considerations without negatively impacting financial returns.	• Starting regular engagement with tenants in respect of EPC requirements. • Ensuring shareholder engagement covers ESG.	The Company is in the process of putting in place an ESG policy. The Board has encouraged both the Investment Adviser and Property Manager to consider ESG on investment and on an ongoing basis.

Principal Decisions

Principal decisions are those that have a material impact to the Group and its key stakeholders. In taking these decisions, the Directors considered their duties under section 172 of the Act.

Directorate Changes
During the year, the Board welcomed Stephanie Eastment to the board as an independent non-executive Director and Audit Chair effective 1 October 2021, and at the same time, Jim Prower resigned as Director and Audit Chair as part of a planned succession process. The Board undertook steps to ensure that it replaced its Audit Chair with an individual with the appropriate skills and experience to undertake the role, including appointing an external consultant to support the process. In taking this decision, the Board considered that the appointment would maintain the Company's robust corporate governance structure and, alongside the other Directors, Stephanie Eastment's skills and experience would complement the Board to deliver the Company's strategy.

Property Transactions during the Year
As set out in the Chairman's Statement and Investment Adviser's Report, Audi, Huddersfield was sold and the proceeds re-invested swiftly into Volvo, Slough.

Dividend Policy and Dividend
In the year the Board formally adopted a dividend policy, as set out above, to pay four evenly spaced interim dividends a year. Previously a resolution had been put to shareholders and the policy is in keeping with those earlier resolutions.

The Board set a dividend target of 5.5 pps for the year ended 30 June 2022. This provided clarity to shareholders on what could be expected from the Company.

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 AIFM and, where appropriate, the Investment Adviser. The Group's ongoing risk management process is designed to identify, evaluate and mitigate the 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 systems.

The Board has carried out a robust assessment of the principal and emerging 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. Macroeconomic trends discussion through the report, including rising interest rates, higher inflation and the possibility of recession have the ability to materially impact on a tenant's business. This could result in tenants being unable to comply with their 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 11.47% at 30 June 2022. 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.	**Probability:** Moderate to high **Impact:** High **Movement:** No change to the overall risk rating. However, the impact of different factors considered by Directors have changed with the COVID-19 pressure on tenants reducing offset by costs (energy particularly) and inflation/ interest rate pressures on tenants increasing.
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	The Group has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk. Having a diversified portfolio in respect	**Probability:** Low to moderate **Impact:** Low to moderate **Movement:** No change

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, NAV and the Company's share price.	of both sector and tenants provides reduced potential volatility in the portfolio and the impact rating for this risk is accordingly set at low to moderate.	
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 majority of caps are in excess of RPI and CPI forecasts during the next five-year rent review cycle and therefore based on forecasts. The risk of inflation is somewhat mitigated by the leases that have no cap. In addition, a total of eight leases undergo reviews annually which will allow inflation changes to be reflected expeditiously.	**Probability:** Moderate **Impact:** Moderate **Movement:** Increased The rate of inflation has increased significantly in the past year so that caps may for the first time limit the level of rent increases. The probability and risk have both been increased from low to moderate to reflect this.
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. The Knight Frank valuation is reviewed by the AIFM, Investment Adviser and auditor.	**Probability:** Low to moderate **Impact:** Moderate to high **Movement:** No change.
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
8. Environment The Group is subject to environmental regulations. In addition to regulatory risk, there is a growing importance being placed on ESG credentials by	The current regulations require annual mandatory Green House Gas (GHG) reporting, which will be carried out as part of the annual report and will result	**Probability:** Moderate **Impact:** Moderate

tenants, which could lead to difficulty in letting vacant space. Properties could be impacted by extreme environment events such as flooding. Climate change could accelerate more quickly leading to adverse physical impacts as well as regulatory change. Failure by the Group to meet current or future environmental targets could result in penalties, increased costs, a reduction in asset values and have an adverse effect on the Company's reputation, leading to loss of good quality tenants.	in minimal expenditure for the Group. Furthermore, the Investment Adviser has prepared an ESG strategy to ensure it meets legal requirements and remains attractive to current and future tenants. Please see the 'Environmental, Social and Governance' section for further information. In depth research is undertaken on each property at acquisition. The Investment Adviser has adopted an environmental policy which it is in the process of applying to all properties with the portfolio.	**Movement:** N/A (new risk)

Borrowing Risks

9. Breach of borrowing covenants The Group has entered into a term loan facility. Material adverse changes in valuations and net income may lead to breaches in the LTV and interest cover ratio covenants. If the Group is unable to operate within its debt covenants, this would lead to default and the loan facility being recalled. This could result in the Group being forced to sell properties to repay the loan facility, possibly resulting in a substantial fall in the NAV.	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 2022 was 33.7%, below our maximum gearing (on a GAV 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. Diversification of both the portfolio and tenants limit the risk to the Group of any one geographic or sector property event and any one tenant default.	**Probability:** Low **Impact:** High **Movement:** No change

CORPORATE RISKS

10. 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 key 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
11. 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	**Probability:** Moderate **Impact:** Moderate **Movement:** No change

The Group relies on the Investment Adviser to manage the assets and termination of the Investment Adviser agreement could severely affect the Group's ability to effectively manage its operations.	Investment Adviser. Directors engage with the Investment Adviser not only in Board meetings but also by email, telephone and ad hoc meetings, This helps to maintain a good working relationship.	
12. Ability to meet objectives The Group may not meet its investment objective to deliver an attractive total return to shareholders from investing predominantly in a 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 17.5 years and a WAULT to expiry of 19.4 years. Further, over 96% 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		
13. 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 to UK corporation tax.	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 tax advisors to monitor REIT compliance requirements. Processes are in place to ensure ongoing compliance with REIT regulations.	**Probability:** Low **Impact:** High **Movement:** No change
POLITICAL/ ECONOMIC RISK		
14.Political and macroeconomic events. Such 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, the deterioration of the global economy arising from changes such as higher interest rates, and ongoing long-term effects of the Ukraine-Russia war could impact the portfolio, tenants and the ability of the Group to raise capital.	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. Tenant default risk arising from political and macroeconomic events is managed as described above. The Investment Adviser monitors COVID-19 second-order effects and the current deterioration in the global economy for their possible effects on the Group.	**Probability:** high **Impact:** high **Movement:** Increase probability and impact from moderate to high to high due to the impact of the deterioration of the global, including UK, economy.
REGULATORY RISK		
15. Disclosure Risk Failure to properly disclose information to investors or regulators in accordance with various disclosure rules and regulations. Examples include AIFMD investor disclosures, annual reporting requirements, marketing/promotion disclaimers, data protection regulations etc.	Service providers including AIFM, Investment Adviser, Company Secretary, auditor, and corporate broker monitor disclosure obligations and liaise with the Board to ensure requirements are met.	**Probability:** Low to moderate **Impact:** Moderate **Movement:** N/A (new risk)
16. Regulatory Change New regulations or changes to existing regulations (particularly in	The Board receives regular updates on relevant regulatory changes (and prospective changes) from its	**Probability:** Low **Impact:** High

relation to climate change) could result in sub-optimal performance of the Group or, in worst case, inability to continue as a viable business.	professional advisers. The Investment Adviser monitors the impact of emerging legislation across all aspects of property investment and ESG has a particularly high profile at this time. The Investment Adviser uses an ESG pre-acquisition checklist to review purchases but also work to ensure that the current portfolio is monitored and works are carried out as appropriate, with tenant's agreement, to prevent asset depreciation.	**Movement:** N/A (new risk)

Emerging Risks

The Board takes account of and considers emerging risks as part of its risk management assessment.

EXTRACTS FROM DIRECTORS' REPORT

Going Concern

The Group has considered its cash flows, financial position, liquidity position and borrowing facilities. As discussed in the Chairman's Statement, in accordance with the Company's Articles of Association there is a continuation vote being put to shareholders at the upcoming AGM. Having taken account of the views of the Company's broker and major shareholders, the Directors have no reason to believe that the continuation vote will not pass. If the Continuation Resolution is not passed, the Directors will formulate proposals to be put to Shareholders to reorganise, restructure or wind-up the Company and to present such proposals to Shareholders within six months of the date of the AGM.

The Group's unrestricted cash balance at the year end was £2.5 million. The Group borrowings totalled £41 million under a facility repayable on 20 October 2025. 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 33.69% at 30 June 2022.

A 'severe but plausible downside' scenario has also been projected. While rent collections have been strong, this scenario anticipates rent deferrals and write-offs for tenants with 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 are satisfied that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of the approval 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. For the reasons given in the Going Concern statement, the viability statement has been prepared assuming that the continuation vote in 2022 will be passed.

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 2025, 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 Group's viability over this three-year period include:

1. The current unexpired term under the Group's debt facilities stands at 3.3 years.
2. The Group's property portfolio had a WAULT to break of 17.5 years and a WAULT to expiry of 19.4 years at 30 June 2022, representing a secure income stream for the period under consideration.
3. A major proportion of the leases contain 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 Group's cash flows, dividend cover, REIT compliance and other key financial ratios over the period. In assessing the Group's viability, the Board has carried out a thorough review of the Group's business model, including future performance, liquidity and banking covenant tests for a three-year period. The Board has assessed the extent of any operational disruption; potential curtailment of rental receipts; potential liquidity and working capital shortfalls; and diminished demand for Group's assets going forward, in adopting a going concern preparation basis and in assessing the Group's longer-term viability.

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

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

Based on the prudent assumptions within the Group'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 - at 30 June 2022, the asset valuations and rental income of the properties secured to Canada Life would need to fall by 24.9% and 43.3% respectively before breaching the Loan to Value loan and Income Cover Cash Trap covenants;
- 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

28 September 2022

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 the UK adopted international accounting standards. The Directors have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 UK adopted international accounting standards;
- 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 Group's and the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 the parent Company 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 Consolidated 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 include 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.
- that the Annual Report and the Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide 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
28 September 2022

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2022

	Notes	2022 £'000	2021 £'000
Income			
Rental and other income	3	7,901	7,409
Property operating expense	4	(330)	(647)
Net rental and other income		7,571	6,762
Other operating expenses	4	(1,101)	(876)
Operating profit before fair value changes and gain on sale		6,470	5,886
Change in fair value of investment properties	10	8,023	682
Gain on disposal of investment property	10	96	425
Operating profit		14,589	6,993
Finance expense	6	(1,423)	(1,421)
Profit before tax		**13,166**	**5,572**
Taxation	7	-	-
Profit and total comprehensive income attributable to shareholders		**13,166**	**5,572**
Earnings per share (basic and diluted)	8	**16.36p**	**6.92p**
EPRA EPS (basic and diluted)	8	**6.27p**	**5.55p**
Adjusted EPS (basic and diluted)	8	**5.57p**	**5.07p**

All items in the above statement are derived from continuing operations.

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position
As at 30 June 2022

	Notes	2022 £'000	2021 £'000
Assets			
Non-current Assets			
Investment properties	10	115,124	107,026
		115,124	107,026
Current Assets			
Receivables and prepayments	11	4,034	3,682
Cash and cash equivalents		2,542	2,115
		6,576	5,797
Total Assets		**121,700**	**112,823**
Non-current Liabilities			
Interest bearing loans and borrowings	13	(40,620)	(40,516)
Lease obligations	14	(299)	(335)
		(40,919)	(40,851)
Current Liabilities			
Payables and accrued expenses	12	(3,146)	(3,041)
Lease obligations	14	(36)	(38)
		(3,182)	(3,079)
Total Liabilities		**(44,101)**	**(43,930)**
Net Assets		**77,599**	**68,893**

	Notes		
Equity			
Share capital	17	805	805
Capital reserve		75,417	75,417
Retained earnings		1,377	(7,329)
Total equity		**77,599**	**68,893**
Net Asset Value per share (basic and diluted)	8	**96.40p**	**85.58p**

The accompanying notes form part of these Consolidated Financial Statements.

The Consolidated Financial Statements were approved by the Board of Directors on 28 September 2022 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 2022

	Notes	Share capital £'000	Capital Reserve* £'000	Retained Earnings* £'000	Total Equity £'000
For the year ended 30 June 2022					
Balance as at 30 June 2021		805	75,417	(7,329)	68,893
Total comprehensive income		-	-	13,166	13,166
Dividends paid	9	-	-	(4,460)	(4,460)
Balance as at 30 June 2022		**805**	**75,417**	**1,377**	**77,599**
For the year ended 30 June 2021					
Balance as at 30 June 2020		805	75,417	(8,936)	67,286
Total comprehensive income		-	-	5,572	5,572
Dividends paid	9	-	-	(3,965)	(3,965)
Balance as at 30 June 2021		**805**	**75,417**	**(7,329)**	**68,893**

* Capital reserve and retained earnings were presented combined in prior years.

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	**2022 £ '000**	**2021 £ '000**
Cash flows from operating activities			
Profit before tax		13,166	5,572
Adjustment for:			
Finance expenses	6	1,423	1,421
Gain on disposal of investment property	10	(96)	(425)
Change in fair value of investment properties	10	(8,023)	(682)
Operating results before working capital changes		**6,470**	**5,886**
Change in working capital			
(Increase) / decrease in receivables and prepayments		(352)	1,735
Increase in payables and accrued expenses		100	429
Net cash flow generated from operating activities		**6,218**	**8,050**
Cash flows from investing activities			
Purchase of investment property	10	(5,375)	(6,070)
Net proceeds from disposal of investment property	10	5,396	3,159
Net cash generated from / (used in) investing activities		**21**	**(2,911)**
Cash flows from financing activities			
Finance costs paid		(1,319)	(1,322)
Dividends paid	9	(4,455)	(3,949)
Payment of lease obligation		(38)	(41)
Net cash used in financing activities		**(5,812)**	**(5,312)**

Net increase / (decrease) in cash and cash equivalents	427	(173)
Cash and cash equivalents at beginning of year	2,115	2,288
Cash and cash equivalents at end of year	**2,542**	**2,115**

The accompanying notes form part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

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 registered in England and Wales. The registered office of the Company is 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 (the "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 UK-adopted international accounting standards.

These financial statements have been prepared under the historical-cost convention, except for investment properties that have been measured at fair value.

These 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 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, and forthcoming requirements

Standards effective from 1 July 2021

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

- Interest Rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

  The amendments provide relief to the Group in respect of certain loans whose contractual terms are affected by interest benchmark reform (effective from 1 January 2021). Applying the practical expedient introduced by the amendments, when the benchmarks are replaced the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the benchmark interest rate does not result in an immediate gain or loss recorded in profit or loss.

Forthcoming requirements

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:

- 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 12 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.

The Group has also applied the following amendments for the first time for their annual reporting period
commencing 1 July 2021:

- o Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) (effective 1 January

2022);

- o Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022);
- o Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16) (effective 1 January 2022);
- o Reference to the Conceptual Framework (Amendments to IFRS 3) (effective 1 January 2022).

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for annual periods beginning after 1 July 2021 and early application is permitted; however the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements:

- o Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective 1 January 2023);
- o Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (effective 1 January 2023);
- o IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (effective 1 January 2023);
- o Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective 1 January 2023);
- o Definition of Accounting Estimates (Amendments to IAS 8) (effective 1 January 2023);
- o Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (effective date deferred indefinitely).

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 Consolidated 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:

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 since the start of the Fund are 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.

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 the Board's intention that the Group will continue as a REIT for the foreseeable future.

Classification of lease arrangements - the Group as lessor (Note 14)

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 also reported by property. 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

The Consolidated Financial Statements have been prepared on a going concern basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The robust financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements and the accompanying notes. The financial statements also include the Group's objectives, policies and processes for managing its capital; its financial risk management objective; and its exposures to market price risk, real estate risk, credit risk and liquidity risk.

The Investment Adviser on behalf of the Board has projected the Group's cash flows for the period up to 30 September 2023, 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 scenarios applied were designed to be severe but plausible, and to take account of the availability of mitigating actions that could be taken to avoid or reduce the impact or probability of the underlying risks.

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 cash flow projections, the Directors expect the Group to continue to remain compliant. The headroom of the loan to value covenant is significant and any reduction in property values that would cause a breach would be significantly more than any reduction currently envisaged.

Based on the above, the Board believes that the Group has the ability and adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of the financial statements.

At the Company's upcoming AGM on 10 November 2022, a resolution will be put to shareholders in accordance with its Articles of Association, to consider whether it should continue its business as presently constituted ("Continuation Resolution"). In the event that the Continuation Resolution did not pass, the Company would be required to formulate proposals to reorganise, restructure or wind up. The Company has provided justifications to shareholders for why it should continue in operation as presently constituted and the Board has recommended that shareholders vote in favour of this resolution. Having taking account of the views of the Company's broker and major shareholders, the Board has no reason to believe that the continuation vote will not pass.

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 2022, audited EPS and NAV calculations under EPRA's methodology are included in note 8 and further unaudited measures are uded following the financial statements.

p) Capital and reserves
Share capital
Share capital is the nominal amount of the Company's ordinary shares in issue, and is non-distributable.

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.

2.6 Fair value measurement

The Group measures financial and non-financial assets such as investment properties at fair value at each reporting date.

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is defined in IFRS 13 Fair Value Measurement as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values have been determined for measurement and/or disclosure purposes based on methods described below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to fair value measurement as a whole:

Fair value hierarchy:

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).

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

There were no transfers between any of the levels during the year.

Investment property

The valuation of investment property by valuers engaged by the Group who are independently appointed and have the relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Further information in relation to the valuers is provided in note 10.

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 note 10.

3. Rental and other income

	2022 £'000	2021 £'000
Gross rental income	7,036	6,724
Spreading of minimum contracted future rent-indexation	541	571
Spreading of tenant incentives - rent free periods	(73)	(85)
Other property income	1	-
Gross rental income (adjusted)	**7,505**	**7,210**
Service charges and direct recharges (see note 4)	396	199
Total rental and other income	**7,901**	**7,409**

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

4. Operating Expenses

	2022 £'000	2021 £'000
Property operating expenses	136	448
Service charges and direct recharges (see note 3)	396	199
Reversal of provision for impairment of trade receivables	(202)	-
Property operating expenses	**330**	**647**
Investment adviser fee	368	269

Auditor's remuneration	63	77
Operating costs *	588	442
Directors' remuneration (note 5)	82	88
Other operating expenses	**1,101**	**876**
Total operating expenses	**1,431**	**1,523**
Total operating expenses (excluding service charges and direct recharges)	**1,035**	**1,324**

* Included in the Operating cost is £1,250 of fees paid to Stephanie Eastment incurred in advance of her appointment as a Director, for due diligence activities.

	2022 £'000	**2021 £'000**
Audit		
Statutory audit of Annual Report and Accounts	53	67
Statutory audit of Subsidiary Accounts	10	10
Total fees due to auditor	**63**	**77**

Moore Kingston Smith LLP has not provided any non-audit services to the Group.

5. Directors' remuneration

	2022 £'000	**2021 £'000**
Directors' fees	75	78
Tax and social security	7	10
Total fees	**82**	**88**

A summary of the Director's remuneration is set out in the Directors' Remuneration Report.

The Group had no employees during the year.

6. Finance expenses

	2022 £'000	**2021 £'000**
Interest payable on loan	1,307	1,307
Amortisation of finance costs (note 13)	104	99
Other finance costs	12	15
Total	**1,423**	**1,421**

7. Taxation

	2022 £'000	**2021 £'000**
Tax charge comprises:		
Analysis of tax charge in the year		
Profit before tax	**13,166**	**5,572**
Theoretical tax charge at UK corporation tax standard rate of 19.00% (2021: 19.00%)	2,502	1,059
Effects of tax-exempt items under the REIT regime	(2,502)	(1,059)
Total	**-**	**-**

The Group maintained its REIT status and as such, no deferred tax asset or liability has been recognised in the current year.

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 per share (EPS) and Net Asset Value (NAV) per share

	2022	**2021**
Earnings per share:		
Total comprehensive income (£'000)	13,166	5,572
Weighted average number of shares (number)	80,500,000	80,500,000
Earnings per share (basic and diluted)	**16.36p**	**6.92p**

EPRA EPS (£'000):

Total comprehensive income	13,166	5,572
Adjustment to total comprehensive income:		
Change in fair value of investment properties	(8,023)	(682)
Gain on disposal of investment property	(96)	(425)
EPRA earnings (basic and diluted) (£'000)	**5,047**	**4,465**
EPRA EPS (basic and diluted)	**6.27p**	**5.55p**
Adjusted EPS:		
EPRA earnings (basic and diluted) (£'000) - as above	5,047	4,465
Adjustments (£'000):		
Rental income recognised in respect of guaranteed fixed rental uplifts - Note 3	(541)	(571)
Rental income recognised in respect of rent free periods - Note 3	73	85
Amortisation of loan arrangement fee - Note 6	104	99
Write-off of rent	4	-
Reversal of provision for impairment of trade receivables	(202)	-
Adjusted earnings (basic and diluted) (£'000)	4,485	4,078
Adjusted EPS (basic and diluted) *	**5.57p**	**5.07p**

* 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.

	2022	**2021**
NAV per share:		
Net assets (£'000)	77,599	68,893
Ordinary Shares (Number)	80,500,000	80,500,000
NAV per share	**96.40p**	**85.58p**

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

	EPRA NRV £'000	**EPRA NTA and EPRA NDV £'000**
At 30 June 2022		
Net assets value (£'000)	77,599	77,599
Purchasers' cost (£'000)	7,664	-
Break cost on bank borrowings (£'000)	(486)	(486)
	84,777	77,113
Ordinary Shares (Number)	80,500,000	80,500,000
Per share measure	**105.31p**	**95.79p**
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	**90.09p**	**81.27p**

9. Dividends paid

	Quarter Ended	**Rate**	**2022 £'000**	**2021 £'000**
Dividends in respect of year ended 30 June 2020				
4th dividend	30-Jun-20	1.425p	-	1,147
Dividends in respect of year ended 30 June 2021				
1st dividend	30-Sep-20	1.250p	-	1,006
2nd dividend	31-Dec-20	1.000p	-	805
3rd dividend	31-Mar-21	1.250p	-	1,007
4th dividend	30-Jun-21	1.640p	1,320	-
Dividends in respect of year ended 30 June 2022				
1st dividend	30-Sep-21	1.300p	1,047	-
2nd dividend	31-Dec-21	1.300p	1,046	-
3rd dividend	31-Mar-22	1.300p	1,047	-
Total dividends paid			**4,460**	**3,965**
4th dividend	30-Jun-20	1.425p	-	(1,147)
4th dividend	30-Jun-21	1.640p	(1,320)	1,320
4th dividend	30-Jun-22	1.600p	1,288	**-**
Total dividends payable in respect of the year			**4,428**	**4,138**
Total dividends payable in respect of the year			**5.50p**	**5.14p**

* Dividends declared after the year end are not included in the financial statements as a liability.

** Dividends paid per Consolidated Statement of Cash Flows amount to £4,455,000 (2021: 3,949,000), the difference between the amount disclosed above is due to withholding tax.

10. Investment properties

	2022			2021
	Freehold Investment properties	Leasehold Investment properties	Total	Total
	£'000	£'000	£'000	£'000
At the beginning of the year	75,772	33,458	109,230	101,910
Acquisition during the year	5,375	-	5,375	6,070
Disposal during the year	(5,300)	-	(5,300)	-
Change in value of investment properties	5,133	3,467	8,600	1,250
Valuation provided by Knight Frank LLP	**80,980**	**36,925**	**117,905**	**109,230**
Adjustment to fair value for minimum rent indexation of lease income (note 11)			(3,177)	(2,709)
Adjustment for lease obligations			396	505
Total investment properties			**115,124**	**107,026**

	2022	2021
Change in fair value of investment properties		
Change in fair value before adjustments for lease incentives and lease obligations	8,600	1,250
Movement in lease obligations	(109)	34
Adjustment to spreading of contracted future rent indexation and tenant incentives	(468)	(602)
	8,023	**682**

During the year, the Group acquired the property known as Volva, Slough (2021: Droitwich Spa Retail Park) and disposed of the investment property known as Audi, Huddersfield (2021: Wet n Wild, Royal Quays, North Shields).

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.

	2022	2021
	£'000	£'000
Gross proceeds on disposal	5,500	3,204
Selling costs	(104)	(45)
Net proceeds on disposal	5,396	3,159
Carrying value	(5,300)	(2,734)
Gain on disposal of investment property	**96**	**425**

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.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the fair value hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group'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 2022				
Investment Properties*	117,905	Income capitalisation	ERV Equivalent yield	£4.00 - £21.96 4.87% - 8.70%**
30 June 2021				
Investment Properties*	109,230	Income capitalisation	ERV Equivalent yield	£3.86 - £21.96 5.17% - 8.46%**

* Valuation per Knight Frank LLP

**Hotels, nurseries, petrol stations, student accommodation & healthcare are excluded from this range

The estimated fair value would increase if the equivalent yield decreases to lower end of the range, see sensitivity analysis below.

	2022			
	Change in ERV		**Change in equivalent yield**	
	£'000	**£'000**	**£'000**	**£'000**
Sensitivity Analysis	**+10%**	**-10%**	**+10%**	**-10%**
Resulting fair value of investment properties	121,583	114,850	111,837	126,023

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

12. Payables and accrued expenses

	2022 £'000	2021 £'000
Deferred income	1,501	1,445
Trade creditors	51	59
Accruals	576	603
Tenant deposit liability (note 11)	118	-
Bank interest payable	258	258
Other creditors	642	676
	3,146	**3,041**

13. Interest bearing loans and borrowings

	2022 £'000	2021 £'000
Facility drawn	**41,000**	**41,000**
Unamortised finance costs brought forward	(484)	(583)
Amortisation of finance costs	104	99
At end of year	**40,620**	**40,516**
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	41,000	41,000
Repayable in over 5 years	-	-
Total at end of the year	**41,000**	**41,000**

At 30 June 2022, 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 33.7% (2021: 36.3%). The weighted average interest cost of the Group's facility is 3.19% and the facility is repayable on 20 October 2025.

	2022 £'000	2021 £'000
Reconciliation to cash flows from financing activities		
At beginning of the year	40,516	40,417
Non-cash changes		

Amortisation of loan issue costs	104	99
Total at end of the year	**40,620**	**40,516**

14. Lease obligations

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

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

	2022 £'000	2021 £'000
Within one year	50	50
After one year but not more than five years	150	150
More than five years	513	563
Total undiscounted lease liabilities	**713**	**763**
Less: Future finance charge on lease obligations	(378)	(390)
Present value of lease liabilities	**335**	**373**
Lease liabilities included in the Consolidated Statement of Financial Position		
Current	36	38
Non-current	299	335
	335	**373**

15. Commitments

15.1. Operating lease commitments - as lessor

The Group has 19 commercial properties with 33 units on its investment property portfolio. These non-cancellable leases have a remaining term of between 7 months and 112 years (2021: 6 months to 113 years), excluding ground leases.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2022 are as follows:

	2022 £'000	2021 £'000
Within one year	7,071	6,957
After one year, but not more than two years	7,015	7,135
After two years, but not more than three years	6,754	7,094
After three years, but not more than four years	7,011	7,191
After four years, but not more than five years	7,045	7,002
After five years, but not more than ten years	29,896	29,898
After ten years, but not more than fifteen years	25,935	27,201
More than fifteen years	55,472	58,889
	146,199	**151,367**

During the year ended 30 June 2022 there were no material contingent rents recognised as income (2021: £nil).

15.2. Capital commitments

There were no capital commitments at 30 June 2022 (2021: nil).

15.3. Financial commitments

In the 2021 annual report, it was disclosed that the Company is involved in litigation against two parties to recover £1,056,000 of costs. The costs were incurred for work in the period September to December 2020 to replace defective cladding elements uncovered in the external walls of the top floors and rear lift core of the Travelodge Hotel, Swindon. The defective cladding was installed when the property was extended in 2007 and the Company's claims are against the architect and cladding sub-contractor involved. Subsequent to the year end, the Board engaged in mediation with both parties and agreed a full and final settlement. (See also note 21b.) Settlement is due to be received after the signing of this annual report. Consequent to that settlement being received, the Group will have no financial commitments other than those arising from its normal business operations.

There are no other commitments other than those shown above at the year-end (2021: same).

16. Investments in subsidiaries

The Company has two wholly owned subsidiaries as disclosed below:

Name and company number	Country of registration and incorporation	Date of incorporation	Principal activity	Ordinary Shares held
Alternative Income REIT Holdco Limited (Company number 11052186)	England and Wales	7 Nov 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 2022 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.

17. Issued share capital

	2022		2021	
	£'000	**Number of Ordinary Shares**	**£'000**	**Number of Ordinary Shares**
Ordinary Shares of £0.01 each issued And fully paid				
At the beginning and end of the year	**805**	**80,500,000**	**805**	**80,500,000**

18. 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 follows.

18.1 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 Board of Directors and the Investment Adviser meet regularly as required and are responsible for recommending investment purchases or sales to the AIFM which makes the ultimate decision. In order to monitor property valuation fluctuations, the Investment Adviser meets 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.

18.2 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.

18.3 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 Adviser monitors tenant arrears in order to anticipate and minimise the impact of defaults by occupational tenants.

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

	2022	2021
	£'000	**£'000**

Debtors	528	909
Cash and cash equivalents	2,542	2,115
Total	**3,070**	**3,024**

18.4 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.

2022	**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	3,266	-	4,573
Payables and accrued expenses	134	863	-	-	-	997
Lease obligations	-	13	38	200	463	714
Total	**134**	**1,203**	**1,018**	**44,466**	**463**	**47,284**

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**

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

18.6 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 because the Group's loan is at a fixed rate of 3.19% (note 13).

19. 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 (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 in both this and the prior year.

The monitoring of the Group's level of borrowing is performed primarily using a Loan to GAV ratio. The Loan to GAV ratio is an alternative performance measure and its calculation is shown in the notes to the company accounts. The Group Loan to GAV ratio at the year end was 33.7% (2021: 36.3%).

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.

20. 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.

Directors
Directors of the Group are related party. Directors' remuneration is disclosed in note 5.

Investment Adviser
M7 Real Estate Limited
M7 Real Estate Ltd was appointed as Investment Adviser on 14 May 2020. The Interim Investment Advisory agreement (amended with Deed of Variation dated 21 February 2021) specifies that there were fees payable up to 30 September 2020. From 1 October 2020, the annual management fee is calculated at a rate equivalent of 0.50% per annum of NAV (subject to a minimum fee of £90,000 per quarter), payable quarterly in advance. During the year ended 30 June 2022, the Group incurred £367,920 (2021: £269,327) in respect of investment advisory fees, of which £97,920 was outstanding at 30 June 2022 (2021: £nil).

21. Events after reporting date

21a. Dividend
On 1 August 2022, the Board approved the interim dividend for the quarter ended 30 June 2022 of 1.6p, in line with the Group's previously announced target of 5.5 p.

21b. Swindon Travelodge remediation

As previously reported, work was completed in December 2020 to the Swindon Travelodge to replace the combustible cladding elements uncovered on part of the property with non-combustible replacements and to remediate the fire/smoke stopping. Both the architect and cladding sub-contractor involved were being pursued for reimbursement of the costs of £1,056,000. Subsequent to the year end, the Board engaged in mediation with both parties and agreed a full and final settlement of £825,000.

As at 30 June 2022

	Notes	2022 £'000	2021 £'000
Assets			
Non-current Assets			
Investments in subsidiary companies	2	73,158	73,158
Investment property	2	2,153	2,067
		75,311	**75,225**
Current Assets			
Receivables and prepayments	3	159	208
Cash and cash equivalents		66	535
		225	**743**
Total Assets		**75,536**	**75,968**
Current Liabilities			
Payables and accrued expenses	4	(13,035)	(17,148)
		,(13,035)	**(17,148)**
Net Assets		**62,501**	**58,820**
Equity			
Share capital	6	805	805
Capital reserve		75,417	75,417
Retained earnings		(13,721)	(17,402)
Total capital and reserves attributable to equity holders of the Company		**62,501**	**58,820**
Net Asset Value per share (pence per share)		**77.64p**	**73.07p**

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 profit for the year was £8,140,836 (2021: loss of £596,947).

The financial statements were approved by the Board of Directors on 28 September 2022 and were signed on its behalf by:

Alan Sippetts
Chairman

Company number: 10727886

Company Statement of Changes in Equity
For the year ended 30 June 2022

	Notes	Share capital £'000	Capital reserve* £'000	Retained earnings* £'000	Total equity £'000
For the year ended 30 June 2022					
Balance as at 30 June 2021		805	75,417	(17,402)	58,820
Total comprehensive income		-	-	8,141	8,141
Dividends paid		-	-	(4,460)	(4,460)
Balance as at 30 June 2022		**805**	**75,417**	**(13,721)**	**62,501**
For the year ended 30 June 2021					
Balance as at 30 June 2020		805	75,417	(12,840)	63,382
Total comprehensive income		-	-	(597)	(597)
Dividends paid		-	-	(3,965)	(3,965)
Balance as at 30 June 2021		**805**	**75,417**	**(17,402)**	**58,820**

* Capital reserve and retained earnings were presented combined in prior years.

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

Notes to the Company Accounts

for the year ended 30 June 2022

1. 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. They have been prepared on the historical cost basis.

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.

New standards effective for the current accounting period do not have a material impact on the financial statements of the Company.

The accounting policies used are otherwise consistent with those contained in the Company financial statements for the year ended 30 June 2021.

Going concern

The financial statements have been prepared on a going concern basis.

For an assessment of going concern refer to the accounting policy 2.4 of the Consolidated Financial Statements.

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.

2. Investments
2a. Investments in Subsidiary Companies

	2022	2021
	£'000	£'000
At the beginning and end of the year	**73,158**	**73,158**

A list of subsidiary undertakings at 30 June 2022 is included on note 16 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.

2b. Investment property

	2022	2021
	£'000	£'000
At the beginning of the year	2,067	2,011
Revaluation of investment property	100	70
Adjustment to fair value for minimum rent indexation of lease income	(14)	(14)
	2,153	**2,067**

3. Receivables and prepayments

	2022	2021
	£'000	£'000
Receivables		
Rent debtor	32	4
Spreading of contracted future - rent indexation	40	33
VAT receivable	59	57
	131	**94**
Prepayments		
Other prepayments	28	114
	159	**208**

4. Payables and accrued expenses

	2022	2021
	£'000	£'000
Due to subsidiaries	12,427	16,759
Deferred income	30	30
Trade creditors	35	26
Accruals	459	254
Other creditors	84	79
	13,035	**17,148**

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

5. Dividends paid and payable

Details of dividends paid and payable in respect of the year are set out in note 9 of the Consolidated Financial Statements.

6. Issued share capital

	2022	2021

	£'000	Number of Ordinary Shares	£'000	Number of Ordinary Shares
Ordinary Shares of £0.01 each issued and fully paid				
At the beginning and end of the year	**805**	**80,500,000**	**805**	**80,500,000**

7. Contingent liabilities, capital commitments and related party transactions

As at 30 June 2022 the Company had £nil contingent liabilities or capital commitments (2021: £nil).

Related party transactions are the same for the Company as for the Group. For details refer to note 20 of the Consolidated Financial Statements.

8. Events after reporting date

Events after the reporting date are the same as those disclosed in note 21 of the Consolidated Financial Statements.

EPRA Yield calculations		**2022 £'000**	**2021 £'000**
Investment properties wholly owned:			
- by Company		2,200	2,100
- by Alternative Income Limited		115,705	107,130
Total - note 10		117,905	**109,230**
Allowance for estimated purchasers' costs		7,665	7,100
Gross up completed property portfolio valuation	b	**125,570**	**116,330**
Annualised cash passing rental income		7,217	6,965
Annualised property outgoings		(55)	(55)
Annualised net rents	a	**7,162**	**6,910**
Add: notional rent expiration of rent-free periods or other lease incentives		893	1,171
Topped-up net annualised rent	c	**8,055**	**8,081**
EPRA NIY*	**a/b**	**5.70%**	**5.94%**
EPRA "topped-up" NIY	**c/b**	**6.41%**	**6.95%**

* The NIY calculation is the same calculation as that for EPRA NIY.

EPRA Cost Ratios		**2022 £'000**	**2021 £'000**
Include:			
EPRA Costs (including direct vacancy costs) - note 4	a	1,035	1,324
Direct vacancy costs		-	-
EPRA Costs (excluding direct vacancy costs)	b	1,035	1,324
Gross rental income (adjusted) - note 3	c	7,505	7,210
EPRA Cost Ratio (including direct vacancy costs)	**a/c**	**13.79%**	**18.36%**
EPRA Cost Ratio (excluding direct vacancy costs)	**b/c**	**13.79%**	**18.36%**

EPRA Vacancy rate		**2022 £'000**	**2021**	**£'000**
Annualised potential rental value of vacant premises	a	-		-
Annualised potential rental value for the completed property portfolio	b	6,987		6,927
EPRA Vacancy rate	**a/b**	**0.00%**	**0.00%**	

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.
IFRS	International financial reporting standards. 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.
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.
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.
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).

Company Information

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

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

Share Information

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

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

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

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

Financial Calendar 2022

30 June 2022	Year end
September 2022	Announcement of annual results
November 2022	Annual General Meeting
31 December 2022	Half year end
March 2023	Announcement of interim results

Shareholder Information

Directors
Alan Sippetts (Independent non-executive Chairman)
Stephanie Eastment (Independent non-executive Director)
Adam C Smith (Non-executive Director)

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https://www.alternativeincomereit.com/

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