RNS Number : 7738D
Alternative Income REIT PLC
07 March 2022

THE INFORMATION CONTAINED IN THIS ANNOUNCEMENT IS RESTRICTED AND IS NOT FOR PUBLICATION, RELEASE OR DISTRIBUTION IN THE UNITED STATES OF AMERICA, ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, CANADA, AUSTRALIA, JAPAN OR THE REPUBLIC OF SOUTH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

7 March 2022

Alternative Income REIT plc

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

Interim Report and Financial Statements for the half year ended 31 December 2021

The Board of Directors of Alternative Income REIT plc (ticker: AIRE), the owner of a diversified portfolio of UK commercial property assets predominantly let on long leases, is pleased to announce its interim report and financial statements for the half year ended 31 December 2021.

Financial Highlights

At 31 December

	2021	2020	Change
Net Asset Value (unaudited)	£72.75 million	£68.17 million	+6.7%
Net Asset Value per share (unaudited)	90.38 p	84.68 p	+6.7%
Share price	72.2 p	60.0 p	+20.3%
Loan to GAV [3] [A]	35.22%	36.62%	

For the half year ended 31 December

	2021	2020	Change
EPRA EPS [A]	3.28 p	2.90 p[1]	+13.1%
Adjusted EPS [A]	2.79 p	2.66 p[1]	+4.9%
Dividend cover [A]	107.31%	118.22%	-10.9%
Total dividends	2.60 p	2.25 p	+15.6%
Operating profit	£3.45 million (including gain on sale of investment property but excluding fair value changes)	£3.48 million	-0.9%
Profit before tax	£6.23 million	£3.03 million	+105.3%
Earnings per share	7.74 p	3.77 p	+105.3%
Share price total return [A]	5.84%	17.15%	
NAV total return [A]	9.65%	5.02%	
Ongoing charges [A]	1.44%	1.45%	-1 bps

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

[1] Originally reported 31 December 2020 EPRA EPS was 3.43p and Adjusted EPS was 3.19p. This included gain on investment disposal of £425,000 equivalent to 0.53p which should have been excluded from the EPRA EPS calculation. See Note 7.

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

[3] The loan facility at 31 December 2021 of £41.0 million (31 December 2020: same) is with Canada Life Investments, matures on 20 October 2025 and has a weighted average interest cost of 3.19%.

- The Net Asset Value increased by 6.7% or £4.58 million to £72.75 million, equivalent to 90.38 pence per share ('pps') as at 31 December 2021 (31 December 2020: £68.17 million and 84.68 pps). The majority of this increase is due to the £3.9 million valuation uplift in investment properties primarily due to improved market conditions, with previous year valuations impacted by poorer market conditions due to Covid-19.
- Total dividends of 2.60p have been declared for the half year (half year ended 31 December 2020: 2.25 p). This is an increase of 15.6% and reflects the Board's view that the Company remains on track to deliver its target annual dividend[2] of 5.5 pps, with full dividend cover expected, all else being equal, by September 2022.
- Profit before tax increased 105.3% to £6.23 million and earnings per share to 7.74p for the half year (half year ended 31 December 2020: profit of £3.03 million and earnings per share of 3.77p). The majority of this increase is due to the £3.9 million valuation uplift in investment properties.
- At 31 December 2021, the Group had a £41.00 million loan facility with Canada Life Investments, which represented a loan to Gross Asset Value ('GAV') [A] of 35.22% (31 December 2020: 36.62%), with the weighted average interest cost of 3.19% (31 December 2020: same).

Property Highlights

- At 31 December 2021, the Group's property portfolio had a fair value of £107.73 million across 18 properties (31 December 2020: £108.53 million across 19 properties). During the year, the Group disposed of the investment property known as Trident Business Park, Huddersfield (refer to Financial Results section within the Chairman's Statement below). On a like-for-like basis the remaining 18 properties were valued at £107.73 million at 31 December 2021 (31 December 2020: £103.03 million), a valuation increase of £4.70 million or 4.6%.

- EPRA Net Initial Yield [A] ('NIY') improved to 5.72% at 31 December 2021 (31 December 2020: 5.49%).
- Rent recognised during the half year was £3.73 million (half year to 31 December 2020: £3.49 million), of which, £0.25 million was accrued debtors for the combination of minimum uplifts and rent-free period (31 December 2020: accrued debtors of £0.24 million). The number of tenants at 31 December 2021 was 20 (31 December 2020: 22).
- At 31 December 2021, the portfolio had Annualised Gross Passing Rental Income [A] of £6.62 million across 18 properties (31 December 2020: £6.94 million across 19 properties).
- 92.6% of the Group's income is inflation linked to Retail Price Index ('RPI') or Consumer Price Index ('CPI').
- The assets were 99.4% let at 31 December 2021 (31 December 2020: fully let).
- The weighted average unexpired lease term ('WAULT') at 31 December 2021 was 18.1 years to the earlier of break and expiry (31 December 2020: 18.3 years) and 20.2 years to expiry (31 December 2020: 20.3 years).
- On 1 December 2021, the Group completed the disposal of the freehold interest in the Audi car showroom in Huddersfield to the occupier for £5.5 million, representing a 3.8% premium on the book value at June 2021 and a net initial yield of 6.75%.

Post balance sheet highlights

- On 3 February 2022, the Board declared an interim dividend of 1.3 p in respect of the period from 1 October 2021 to 31 December 2021. This was paid on 28 February 2022 to shareholders on the register as at 11 February 2022. The ex-dividend date was 10 February 2022.
- By 2 March 2022, in respect of the March, June, September and December 2021 rent quarters, the Group has collected 100% of rent. All current tenants have repaid outstanding arrears/deferrals, including Pure Gym who accelerated repayment of all arrears from July 2022 to December 2021.
- The portfolio is fully let following a further letting to Bgen Ltd at St Helens.
- As announced on 31 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 (net of acquisition costs to the Company) with a materially longer WAULT of 15 years. This acquisition redeployed the net proceeds from the Group's disposal, announced on 30 November 2021, of its Audi car showroom in Huddersfield for £5.5 million.

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

Our results clearly underline the strength of our resilient portfolio which is delivering strong increases in our like-for-like property valuation and unaudited NAV, with continuing income growth and very strong rent collection. We expect to provide our shareholders with further enhanced income and capital growth from our robust portfolio, which benefits from long leases, 92.6% of which have inflation linked uplifts, as well as from asset management activities, opportunistic transactions and further improvements in the market. When combined with our strong balance sheet and modest overhead, the Group has a strong foundation from which to deliver attractive total returns, including a potentially progressive dividend, and we are continuing to focus on identifying opportunities which can deliver further potential income, valuation enhancement and scale to the Company.

The Board remains confident that the Company is on track to deliver on its target annual dividend of 5.5 pence per share [2], with full dividend cover expected, all else being equal, by September 2022."

ENQUIRIES

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

The Company's LEI is 213800MPBIJS12Q88F71.

Further information on Alternative Income REIT plc is available at www.alternativeincomereit.com [4]

NOTES

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

The Company's investment adviser is M7 Real Estate Limited ("M7"). M7 is a leading specialist in the pan-European, regional, multi-tenanted real estate market. Majority owned by its senior managers, 220 employees in 15 countries across Europe. The team manages over 570 properties with a value of circa €4.3 billion.

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

Alternative Performance Measures ("APM")

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

Reconciliations between EPRA measures, other APMs and IFRS disclosures can be found in Note 7 and immediately after the Notes the Consolidated Condensed Financial Statements in this report.

Definitions of APMs are given in the Key Performance Indicators, EPRA Performance Measures Calculations and APM Calculations sections or otherwise included in the Glossary section of this report.

Chairman's Statement

Overview

I am pleased to present the unaudited interim report and financial statements of Alternative Income REIT plc (the "Company") together with its subsidiaries (the "Group") for the half year ended 31 December 2021.

During the period and up to the date of this report, the portfolio has continued to prove its resilience. In spite of the resurgence of Covid-19 through the new Omicron variant and additional Government measures implemented, our rent collection from the Group's portfolio has remained very strong. Yields in our portfolio have remained robust, even in those sectors most impacted by the pandemic, and there is further potential for yield compression as trading and the market generally improves supported by the removal by the Government of Plan B restrictions. Together with our robust balance sheet, modest overhead, 92.6% of our portfolio's leases with inflation linked upwards only rent reviews and the potential for further enhancement through asset management initiatives and transactions initiated on an opportunistic basis only, the Board believes the Company is positioned well to deliver very attractive income and capital growth.

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 June 2021 and a net exit yield of 6.75%. As announced on 31 January 2022, we were delighted to have subsequently 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. The Board believes that the asset has the potential to deliver excellent long term returns to shareholders, particularly with the strength of the tenant covenant on a long lease with index-linked rent reviews. This transaction was the second investment introduced by M7 Real Estate Limited ("M7"), the Company's Investment Adviser. M7 continues to consider asset management initiatives and transactions initiated on an opportunistic basis to further enhance income and capital growth; further information can be found in the Investment Adviser's Report below.

By 2 March 2022, in respect of the March, June, September and December 2021 rent quarters, the Group has collected 100% of rent. All current tenants have repaid outstanding arrears/deferrals, including Pure Gym who accelerated repayment of all arrears from July 2022 to December 2021. The portfolio is fully let following a further letting to Bgen Ltd at St Helens. A total of four rent reviews took place during the period with a combined uplift of £70,361 representing a 3.54% increase in contracted rent on those properties. A further five are expected to take place in the year ending 30 June 2022, with an expected increase of c.3.7% in contracted rent across the portfolio.

Financial Results	**Half year ended 31 December 2021 (unaudited)**	Half year ended 31 December 2020 (unaudited)	Year ended 30 June 2021 (audited)
<u>IFRS performance measures:</u>			
Operating profit before fair value changes [£'000]	3,445	3,475	6,311
Operating profit [£'000]	6,939	3,745	6,993
Profit before tax [£'000]	6,228	3,033	5,572
Profit per share - basic and diluted	7.74 p	3.77 p	6.92 p
Dividend per share	2.60 p	2.25 p	5.14 p
Net Asset Value per share	90.38 p	84.68 p	85.58 p
<u>Alternative performance measures:</u>			
EPRA EPS - basic and diluted	3.28 p	2.90 p	5.55 p
Adjusted EPS - basic and diluted	2.79 p	2.66 p	5.07 p

Financing
As at 31 December 2021, the Group had fully utilised its £41.0 million loan facility with Canada Life Investments (31 December 2020: fully utilised). The weighted average interest cost of the Group's facility is 3.19% and the loan is repayable on 20 October 2025. If repayment is made prior to this date, and the corresponding Gilt rate is lower than the contracted rate of interest, then the loan terms provide for a significant early redemption fee, which as at 31 December 2021 would have been £2,551,803.

Dividends & Earnings

The Company declared interim dividends of 2.6 p in respect of the half year ended 31 December 2021, an increase of 15.6% on the dividends declared for the half year ended 31 December 2020 of 2.25 p.

As set out in Note 7 to the Consolidated Condensed Financial Statements, these dividends were covered by both EPRA Earnings [A] of 3.28 p (31 December 2020: 2.90 p), and the Group's Adjusted EPS (representing cash) were 2.79 p (31 December 2020: 2.66 p).

Future Growth and Outlook

Our results clearly underline the strength of our resilient portfolio which is delivering strong increases in our like-for-like property valuation and unaudited NAV, with continuing income growth and very strong rent collection. We expect to provide our shareholders with further enhanced income and capital growth from our robust portfolio, which benefits from long leases, 92.6% of which have inflation linked uplifts, as well as from asset management activities, opportunistic transactions and further improvements in the market. When combined with our strong balance sheet and modest overhead, the Group has a strong foundation from which to deliver attractive total returns, including a potentially progressive dividend, and we are continuing to focus on identifying opportunities which can deliver further potential income, valuation enhancement and scale to the Company.

The Board remains confident that the Company is on track to deliver on its target annual dividend of 5.5 pence, with full dividend cover expected, all else being equal, by September 2022[5].

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 during the period.

Alan Sippetts
Chairman
4 March 2022

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

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

Key Performance Indicators ('KPIs')

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
1. Net Initial Yield ('NIY') Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with purchasers' costs estimated by the Group's External Valuers.	The NIY is an indicator of the ability of the Company to meet its target dividend after adjusting for the impacts of leverage and deducting operating costs.	**5.71%** at 31 December 2021 (30 June 2021: 5.93%; 31 December 2020: 5.53%)
2. Weighted Average Unexpired Lease Term ('WAULT') to break and expiry The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The WAULT is a key measure of the quality of the portfolio. Long leases underpin the security of our future income.	**18.1 years to break and 20.2 years to expiry** at 31 December 2021 (30 June 2021: 17.8 years to break and 19.8 years to expiry; 31 December 2020: 18.3 years to break and 20.3 years to expiry)
3. Net Asset Value ('NAV') per share 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.	**£72.75 million/90.38 p** at 31 December 2021 (30 June 2021: £68.89 million, 85.58 p and 31 December 2020: £68.17 million, 84.68 p)
4. Dividend per share Dividends declared in relation to the period are in line with the stated dividend target as set out in the Prospectus at IPO. The Company targets a dividend of 5.50 pence per Ordinary Share per annum once fully invested and leveraged[2].	The Company seeks to deliver a sustainable income stream from its portfolio, which it distributes as dividends.	**2.60 p** for the half year ended 31 December 2021 (year ended 30 June 2021: 5.14 p; half year ended 31 December 2020: 2.25 p)
5. Adjusted EPS Adjusted EPS from core operational activities, as adjusted for non-cash items. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See Note 7 to the Consolidated Condensed Financial Statements.	This reflects the Company's ability to generate earnings from the portfolio which underpins dividends.	**2.79 p** for the half year ended 31 December 2021 (year ended 30 June 2021: 5.07 p; half year to 31 December 2020: 2.66 p)
6. Leverage (Loan-to-GAV) 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).	**35.22%** at 31 December 2021 (30 June 2021: 36.30% and 31 December 2020: 36.62%)

EPRA Performance Measures

The table below shows EPRA performance measures (which are all alternative performance measures) of the Group.

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
EPRA NIY [6] 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.	**5.72%** at 31 December 2021 (30 June 2021: 5.94% and 31 December 2020: 5.49%)
EPRA 'Topped-Up' NIY [6] This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of two portfolios compare.	**6.68%** at 31 December 2021 (30 June 2021: 6.95% and 31 December 2020: 7.04 %)

incentives such as discounted rent periods and step rents).		
EPRA NAV [7] 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.	**£72.75 million/90.38 p** at 31 December 2021 (30 June 2021: £68.89 million, 85.58 p and 31 December 2020: 68.17 million, 84.68 p)
EPRA Earnings/EPS [7] 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.	**£2.64 million/3.28 p** EPRA earnings for the half year ended 31 December 2021 (30 June 2021: £4.47 million/5.55 p and 31 December 2020: £2.34 million/2.9 p)
EPRA Vacancy [6] 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.	**0.6 %** EPRA vacancy as at 31 December 2021 (30 June 2021: 0% and 31 December 2020: 0%)
EPRA Cost Ratio [6] Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	**10.3%** EPRA Cost Ratio as at 31 December 2021. The ratio is the same both including and excluding the vacancy costs. (30 June 2021: 18.4% and 31 December 2020: 12.6%)
EPRA Net Reinstatement Value [7] 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.	**£77.20 million/95.91 p** EPRA NRV for the half year ended 31 December 2021 (30 June 2021: £72.53 million/90.09p and 31 December 2020: £71.04 million/88.25p)
EPRA Net Tangible Assets [7] The EPRA NTA deducts the break cost of bank borrowings from the EPRA NAV.	A measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability. The Group has UK REIT status and as such no deferred tax is required to be recognised in the accounts.	**£70.20 million/87.21 p** EPRA NTA for the half year ended 31 December 2021 (30 June 2021: £65.43 million/81.27 p and 31 December 2020: £62.90 million/78.14 p)
EPRA Net Disposal Value [7] The EPRA NDV deducts the break cost of bank borrowings from the EPRA NAV.	A measure that shows the shareholder value if assets and liabilities are not held until maturity.	**£70.20 million/87.21 p** EPRA NDV for the half year ended 31 December 2021 (30 June 2021: £65.43 million/81.27 p and 31 December 2020: £62.90 million/78.14 p)

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

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

[7] The reconciliation of this APM is set out in Note 7 of the Notes to the Consolidated Condensed Financial Statements.

Investment Adviser's Report

Market Outlook

UK Economic Outlook

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

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

Research produced by PwC in December 2021[8] suggested that the end of the furlough scheme has not set back the labour market recovery. Various indicators and surveys suggest that a significant majority of the 1.1 million workers still on furlough at the end of September remain in employment. However, it will take some months to understand the full impact of the end of furlough. This is because furloughed employees that have been made redundant will still be included in the payroll data while they serve out their notice periods. This means the short-term outlook for the labour market is cautiously optimistic.

Inflation is likely to reach its highest level for three decades in Q2 2022, before returning gradually back to target. Ofgem's price cap review, combined with the scheduled reversal of the VAT cuts for hospitality and tourism, is expected to create a perfect storm that creates upward pressure on inflation rates in the first half of 2022. This increase in inflation is expected to positively impact the income profile of the Alternative

Income REIT plc with several tenants having index linked rent reviews. Inflation is expected to gradually fall back to target over the next 1-2 years, as the impact of these two factors fade, supply bottlenecks ease, and base effects dissipate.

[8] UK Economic Outlook, December 2021, PricewaterhouseCoopers

UK Real Estate Outlook

Although the UK isn't in the clear with regards to the Covid-19 pandemic, progress has been made and people are moving forward with a renewed sense of optimism. An improving economy and the labour market holding stable following the removal of the furlough scheme provide a generally positive backdrop for real estate in 2022.

Whilst there is a general positivity around real estate in 2022, following the easing of Covid-19 related lockdown measures, sectors such as industrial are assumed to continue to thrive, which will benefit the Group's industrial exposure. It is expected that the rental growth experienced in recent years will continue into 2022, with speculative development at an all-time high, but insufficient to meet the current demand, causing vacancy rates to remain low and created upward pressure on rents. Additionally, retail is expected to recover during 2022, driven by a pick-up in spend in 2022 leading to increased occupier demand. Retail warehousing and parks are expected to continue to be the strongest performers during 2022.

The Group's hotel assets struggled throughout the pandemic, however, hotel revenues are expected to recover during 2022, driven by increases in international travel and the removal of national lockdown restrictions. Increased investor appetite will support recovery in asset values and liquidity. Healthcare was another sector that struggled during 2022, however, CBRE expect the market to recover to pre pandemic levels, boosting investor confidence and leading to prime yields of 4.5%. Furthermore, they are anticipating record M&A activity in the leisure industry during 2022, because of investors looking to capitalise on operational risk with the market.

Student housing is another sector in which the Group has a large exposure. At the end of 2021, it was reported that 2021 saw significant confidence return to the UK's purpose build student accommodation sector with over £2.5 billion invested and companies, such as Unite, reporting occupancy figures of 94%.

2021 saw an emphasis placed on the importance of ESG related credentials. Normally associated with sustainability, and gaining in prominence, ESG is a growing and has quickly become an ethical priority for businesses, both large and small. It is becoming a central aspect of how businesses define themselves. This is having significant impacts on the occupational market with perspective tenants taking ESG values into account when considering their next office, making ESG related credentials a key selling point.

Portfolio Activity During the Period

The following asset management initiatives were undertaken during the half year:

- Rent Reviews: A total of four rent reviews took place during the period with a combined uplift of £70,361 representing an average of 3.54% growth in contracted rent across those properties affected and 1.07% across the portfolio.
- Covid-19 rent arrangements: All Covid-19 related arrears have now been repaid.
  - Premier Inn - the tenant did not utilise the option to defer the payment of 50% of rent due at the end of September & December 2021, having paid all rents in accordance with their obligations.
  - Pets at Home - continue to pay monthly although contracted to pay quarterly.
  - Pure Gym - 10 month's rent, deferred by agreement due to Covid closures, was repaid in full 7 months early in December 2021.
  - Snap Fitness - rent deposit is being repaid by instalments through to March 2022.
- Grazebrook Industrial Estate, Dudley: major new machinery and steel installation works by Meridian Steel in their Dudley operation is due to complete in Spring 2022.
- Pocket Nook Estate, St Helens: A 5 year lease extension of Unit 2 by Bgen Limited, on expiry of their lease in April 2022, completed on 21 February 2022 at a 5.6% increased rent.
- Travelodge, Swindon: Travelodge Hotels Limited, who entered CVA in June 2020 have performed in accordance with their agreement. Following a rent review in June 2021, 100% of the reviewed rent (£403,147 per annum) became due from 1 January 2022. As previously reported, work was completed in December 2020 to replace the combustible elements uncovered on the external walls of the top floors and rear lift core of the Travelodge Hotel, with non-combustible replacements and to remediate the fire/smoke stopping, at a cost (including professional fees) of c.£1.2 million. The property was extended in 2007 and both the architect and cladding sub-contractor involved are being pursued for reimbursement of the costs. Particulars of Claim were lodged with the Court on 12 November 2021, Defences were lodged on 7 February 2022.
- Huddersfield, Audi car showroom was sold for £5.5 million on 1 December 2021 to the occupier. The lease has a WAULT of 3.86 years and rent reflecting £13.49 per sq ft, significantly in excess of industrial rents in the vicinity.

The following asset management initiatives were undertaken between the half year and the date of this report:

- 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 (15 years compared with Huddersfield of 3.86 years) on 28 January 2022. The rent reflects £18.05 per sq ft, a level underpinned by alternative use (industrial and retail warehouse) rental values in the vicinity.
- Bgen Limited has taken a 3 year lease of an adjacent yard so that the only unlet property at the period end is now let, returning the Group's portfolio to 100% occupancy.

Financial Results

Net rental income earned from the portfolio for the half year ended 31 December 2021 was £3.73 million excluding service and direct recharges (half year to 31 December 2020: £3.49 million; year to 30 June 2021: £7.21 million), contributing to an operating profit before fair value changes of £3.35 million (half year to 2020: £3.05 million; year to 30 June 2021: £5.89 million).

The portfolio has seen a gain of £3.49 [9] million in fair value of investment property over the half year (half year to 31 December 2020: gain of £0.27 million; year to 30 June 2021: gain of £0.68 million). This is primarily due to improved market conditions, with previous year valuations impacted by poorer market conditions due to Covid-19.

Administrative and property operating expenses, which include the Investment Manager's fee and other costs attributable to the running of the Group, were £0.38 million for the half year excluding service and direct recharges (half year to 31 December 2020: £0.44 million; year to 30 June 2021: £1.32 million). Ongoing charges for the half year were 1.44% (half year to 31 December 2020: 1.45%; year to 30 June 2021: 1.27%). The increase compared with the year to 30 June 2021 is caused by the Investment Adviser's fee holiday which the Company benefited from during 2020.

The Group incurred finance costs of £0.71 million during the half year (half year to 31 December 2020: £0.71 million; year to 30 June 2021: £1.42 million).

The profit before tax for the half year of £6.23 million (half year to 31 December 2020: profit before tax of £3.03 million; year to 30 June 2021: profit before tax of £5.57 million) equates to a basic earnings per share of 7.74 p (half year to 31 December 2020: basic earnings per share of 3.77 p;

year to 30 June 2021: basic earnings per share of 6.92 p).

EPRA EPS for the half year was 3.28 p which, based on dividends declared of 2.6 p, reflects a dividend cover of 126.15% (half year to 31 December 2020: EPRA EPS of 2.90 p, dividends declared of 2.25 p and dividend cover of 128.89%; year to 30 June 2021: EPRA EPS of 5.55 p, dividends declared of 5.14 p and dividend cover of 107.98%).

Adjusted EPS for the period which equates to cash generated from operations (and therefore excludes movements in accrued minimum contracted uplifts, the amortisation of loan arrangement fees and movements in the provision for impairment of trade receivables) were 2.79 p which, based on dividends declared of 2.6p, reflect a dividend cover of 107.31% (half year to 31 December 2020: Adjusted EPS of 2.66 p, dividends declared of 2.25 p and dividend cover of 118.22%; year to 30 June 2021: Adjusted EPS of 5.07 p, dividends declared of 5.14 p and dividend cover of 98.64%).

The Group's NAV as at 31 December 2021 was £72.75 million or 90.38 p (31 December 2020: £68.17 million or 84.68 p; 30 June 2021: £68.89 million or 85.58 p). This is an increase of 4.8 pps or 5.61% over the half year ended 31 December 2021, and an increase of 5.7 p or +6.73% over the year to 31 December 2021, with the underlying movement in NAV set out in the table below:

	Half year ended 31 December 2021		Half year ended 31 December 2020		Year ended 30 June 2021	
	Pence per share	**£ million**	**Pence per share**	**£ million**	**Pence per share**	**£ million**
NAV as at beginning of period/ year	85.58	68.89	83.58	67.27	83.58	67.29
Change in fair value of investment property	4.34	3.49	0.34	0.27	0.85	0.68
Income earned for the year	4.75	3.83	4.38	3.53	9.20	7.41
Gain on sale of property	0.12	0.10	0.53	0.43	0.53	0.42
Finance costs for the year	(0.88)	(0.71)	(0.88)	(0.71)	(1.77)	(1.42)
Other expenses for the year	(0.59)	(0.48)	(0.59)	(0.47)	(1.89)	(1.52)
Dividends paid during the year	(2.94)	(2.37)	(2.68)	(2.15)	(4.92)	(3.97)
NAV as at the end of the year	**90.38**	**72.75**	**84.68**	**68.17**	**85.58**	**68.89**

[9] the fair value increase includes accounting adjustments relating to rent smoothing of (£0.30m) and movement in finance lease obligation of (£0.05m).

Valuation

At the period end (31 December 2021) the Group owned 18 assets, following the sale of Trident Business Park, Huddersfield. The fair value of these 18 assets had increased from £103.03 million at 31 December 2020 to £107.73 million at the period end, an increase of £4.70 million or 4.6%.

The Group has experienced valuation increases across its retail warehousing, industrial and student housing assets. Additionally, following the easing of Covid-19 related lockdown restrictions, the Group has experienced valuation increases during 2021 across is leisure and hotel assets, two asset classes that were hit hardest by the pandemic.

Financing

As at 31 December 2021, the Group had fully utilised its £41 million loan facility with Canada Life Investments (31 December 2020 and 30 June 2021: £41 million facility utilised). This term facility, which is repayable on 20 October 2025, allows up to 40% loan to property value at drawdown, is provided on a portfolio basis and has a loan to value covenant of 60%.

As at 31 December 2021, the weighted average interest cost of the Group's £41 million facility is 3.19% (31 December 2021 and 30 June 2021: same).

Summary by Sector at 31 December 2021

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	24.0	22.3	97.3	23.7	1.49	1.51	22.8
Hotel	3	21.4	19.9	100.0	14.0	1.40	1.43	21.6
Healthcare	3	18.4	17.1	100.0	27.0	1.13	1.10	16.6
Automotive & Petroleum	2	11.8	11.0	100.0	14.2	0.73	0.72	10.8
Student Accommodation	1	13.2	12.3	100.0	19.6	0.67	0.67	10.2
Leisure	2	5.7	5.2	100.0	7.8	0.37	0.38	5.9
Power Station	1	5.2	4.8	100.0	10.2	0.30	0.30	4.5
Retail	1	5.9	5.5	100.0	5.5	0.40	0.37	5.6
Education	1	2.1	1.9	100.0	22.1	0.13	0.13	2.0
Total/Average	18	107.7	100.0	99.4	18.1	6.62	6.61	100.0

Summary by Geographical Area at 31 December 2021

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	28.0	26.0	100.0	12.8	1.87	1.80	27.3
The North West & Merseyside	2	23.4	21.7	96.8	35.5	1.22	1.23	18.7
Rest of South East	4	19.2	17.8	100.0	11.1	1.07	1.07	16.2
South West	2	13.0	12.1	100.0	23.8	0.69	0.81	12.3
Yorkshire and the Humber	2	6.4	6.0	100.0	20.3	0.42	0.42	6.2
Scotland	1	7.0	6.5	100.0	14.7	0.68	0.59	8.9
London	2	5.6	5.2	100.0	7.8	0.37	0.39	5.9

Eastern	1	5.1	4.8	100.0	10.2	0.30	0.30	4.5
Total/Average	18	107.7	100.0	99.4	18.1	6.62	6.61	100.0

The weighting of the Group's contracted rental income, based on the type of rent review associated with each lease is as follows: RPI inflation linked: 69.2%; CPI inflation linked: 23.4% and Open Market Value Reviews: 7.4%.

Top Ten Tenants

Tenant	**Property**	**Annual Passing Rental Income (£'000)**	**% of Portfolio Total Passing Rental Income**
Prime Life Ltd	Lyndon Croft Care Centre, Solihull and Westerlands Care Village, Brough	704	10.6
Meridian Steel Ltd	Grazebrook Industrial Estate, Dudley and Provincial Park, Sheffield	688	10.4
Jupiter Hotels Ltd	Mercure City Hotel, Glasgow	680	10.3
Mears Group Plc	Bramall Court, Salford	671	10.1
Motorpoint Ltd	Motorpoint, Birmingham	500	7.6
Premier Inn Hotels Ltd	Premier Inn, Camberley	449	6.8
Handsale Ltd	Silver Trees, Bristol	421	6.4
Hoddesdon Energy Ltd	Hoddesdon Energy, Hoddesdon	300	4.5
B&M Bargains	Droitwich Spa Retail Park, Droitwich	272	4.1
Biffa Waste Services Ltd	Pocket Nook Industrial Estate, St Helens	267	4.0

The Group's top ten tenants, listed above, represent 7.8% of the total passing rental income of the portfolio.

Lease Expiry Portfolio - To the earlier of break of expiry

Year	**Expiring passing rent pa (£'000)**	**Cumulative (£'000)**
2022	123	123
2023	286	409
2024	-	409
2025	-	409
2026	-	409
2027	924	1,333
2028	262	1,594
2029	272	1,867
2030	-	1,867
2031	-	1,867
2032	771	2,637
2033	364	3,002
2034	-	3,002
2035	-	3,002
2036	680	3,682
2037	500	4,182
2038	-	4,182
2039+	2,438	6,620

M7 Real Estate Limited
4 March 2022

Interim Management Report and Directors' Responsibility Statement

Interim Management Report

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

The principal risks facing the Company are unchanged since the date of the Annual Report and Financial Statements ('Annual Report') for the year ended 30 June 2021 as set out in that report on pages 20 to 24 and in Note 19 to the Financial Statements on pages 79 to 81.

Risks faced by the Company include, but are not limited to, tenant default, portfolio concentration, property defects, rate of inflation, property market, property valuation, illiquid investments, breach of borrowing covenants, failure of service providers, dependence on the Investment Adviser, ability to meet objectives, Group REIT status, political/economic risks and introduction of, or amendment to, laws and regulations (especially in relation to climate change).

The Board is of the opinion that these principal risks are equally applicable to the remaining six months of the Group's financial year, as they were to the six months being reported on.

Related Party Transactions

Detail of the Investment Adviser arrangements were provided in the Annual Report. There have been no changes to the related party transactions described in that report that could have a material effect on the financial position or performance of the Company or Group. Amounts payable to the Investment Adviser in the six months being reported are shown in the unaudited Consolidated Condensed Statement of Comprehensive Income.

Going Concern

This report has been prepared on a going concern basis. Note 2.4 sets out the Board's considerations in coming to this conclusion.

Responsibility Statement

The Directors confirm that to the best of our knowledge:

- the consolidated condensed set of financial statements has been prepared in accordance with the UK-adopted IAS 34 Interim Financial Reporting;
- the interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the six months of the financial year and their impact on the consolidated condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining half of the year; and

  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

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

Alan Sippetts
Chairman

4 March 2022

Consolidated Condensed Statement of Comprehensive Income

For the half year ended 31 December 2021

	Notes	Half year ended 31 December 2021 (unaudited) £'000	Half year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Income				
Rental and other income	3	3,826	3,526	7,409
Property operating income / (expense)	4	48	(85)	(647)
Net rental and other income		**3,874**	**3,441**	**6,762**
Other operating expenses	4	(526)	(391)	(876)
Operating profit before fair value change		**3,348**	**3,050**	**5,886**
Change in fair value of investment properties	9	3,494	270	682
Gain on disposal of investment property	9	97	425	425
Operating profit		**6,939**	**3,745**	**6,993**
Finance expense	5	(711)	(712)	(1,421)
Profit before tax		**6,228**	**3,033**	**5,572**
Taxation	6	-	-	-
Profit and total comprehensive income attributable to shareholders		**6,228**	**3,033**	**5,572**
Earnings per share (pence) (basic and diluted)	7	**7.74**	**3.77**	**6.92**
EPRA EPS (pence) (basic and diluted)	7	**3.28**	**2.90**	**5.55**
Adjusted EPS (pence) (basic and diluted)	7	**2.79**	**2.66**	**5.07**

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 18 form an integral part of these Consolidated Condensed Financial Statements.

Consolidated Condensed Statement of Financial Position

As at 31 December 2021

	Notes	As at 31 December 2021 (unaudited) £'000	As at 31 December 2020 (unaudited) £'000	As at 30 June 2021 (audited) £'000
Assets				
Non-current Assets				
Investment properties	9	105,220	106,551	107,026
		105,220	106,551	107,026
Current Assets				
Receivables and prepayments	10	8,962	3,740	3,682

Cash and cash equivalents		2,243	1,670	2,115
		11,205	5,410	5,797
Total Assets		**116,425**	**111,961**	**112,823**
Non-current Liabilities:				
Interest bearing loans and borrowings	12	(40,568)	(40,464)	(40,516)
Lease obligations	13	(317)	(353)	(335)
		(40,885)	**(40,817)**	**(40,851)**
Current Liabilities				
Payables and accrued expenses	11	(2,749)	(2,939)	(3,041)
Lease obligations	13	(37)	(39)	(38)
		(2,786)	**(2,978)**	**(3,079)**
Total Liabilities		**(43,671)**	**(43,795)**	**(43,930)**
Net Assets		**72,754**	**68,166**	**68,893**
Equity				
Share capital	16	805	805	805
Capital reserve and retained earnings		71,949	67,361	68,088
Total capital and reserves attributable to equity holders of the Group		**72,754**	**68,166**	**68,893**
Net Asset Value per share (pence)	7	**90.38**	**84.68**	**85.58**

The accompanying notes 1 to 18 form an integral part of these Consolidated Condensed Financial Statements.

The financial statements were approved by the Board of Directors on 4 March 2022 and were signed on its behalf by:

Alan Sippetts

Chairman

Company number: 10727886

Consolidated Condensed Statement of Changes in Equity

For the half year ended 31 December 2021

	Notes	Share capital £'000	Capital reserve and retained earnings £'000	Total capital and reserves attributable to equity holders of the Group £'000
For the half year ended 31 December 2021 (unaudited)				
Balance as at 1 July 2021	16	805	68,088	68,893
Total comprehensive income		-	6,228	6,228
Dividends paid	8	-	(2,367)	(2,367)
Balance as at 31 December 2021		**805**	**71,949**	**72,754**
For the half year ended 31 December 2020 (unaudited)				
Balance as at 1 July 2020	16	805	66,481	67,286
Total comprehensive income		-	3,033	3,033
Dividends paid	8	-	(2,153)	(2,153)
Balance as at 31 December 2020		**805**	**67,361**	**68,166**
For the year ended 30 June 2021 (audited)				
Balance as at 1 July 2020	16	805	66,481	67,286
Total comprehensive income		-	5,572	5,572
Dividends paid	8	-	(3,965)	(3,965)
Balance as at 30 June 2021		**805**	**68,088**	**68,893**

The accompanying notes 1 to 18 form an integral part of these Consolidated Condensed Financial Statements.

Consolidated Condensed Statement of Cash Flows

For the half year ended 31 December 2021

	Half year ended 31 December 2021 (unaudited)	Half year ended 31 December 2020 (unaudited)	Year ended 30 June 2021 (audited)
	£'000	**£'000**	**£'000**
Cash flows from operating activities			
Profit before tax	6,228	3,033	5,572
Adjustment for:			
Finance expenses	711	712	1,421
Gain on sale of investment property	(97)	(425)	(425)
Change in fair value of investment properties	(3,494)	(270)	(682)
Operating results before working capital changes	3,348	3,050	5,886
Change in working capital			
(Increase)/ decrease in other receivables and prepayments	(5,280)	1,677	1,735
(Decrease)/ increase in other payables and accrued expenses	(297)	342	429
Net cash (used in)/ generated from operating activities	**(2,229)**	**5,069**	**8,050**
Cash flows from investing activities			
Purchase of investment property	-	(4,907)	(6,070)
Additions to investment property	-	(1,101)	-
Disposal of investment property	5,397	3,159	3,159
Net cash generated from/ (used in) investing activities	**5,397**	**(2,849)**	**(2,911)**
Cash flows from financing activities			
Finance costs paid	(659)	(709)	(1,322)
Dividends paid	(2,362)	(2,129)	(3,949)
Payment of lease obligation	(19)	-	(41)
Net cash used in financing activities	**(3,040)**	**(2,838)**	**(5,312)**
Net increase/ (decrease) in cash and cash equivalents	128	(618)	(173)
Cash and cash equivalents at start of period/year	2,115	2,288	2,288
Cash and cash equivalents at end of period/ year	**2,243**	**1,670**	**2,115**

The accompanying notes 1 to 18 form an integral part of these Consolidated Condensed Financial Statements.

Notes to the Consolidated Condensed Financial Statements

for the half year ended 31 December 2021

1. Corporate Information

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

The consolidated condensed financial statements for the period ended 31 December 2021 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and have not been audited nor reviewed by the Company's auditor. A copy of the statutory accounts for the year ended 30 June 2021 has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation

These consolidated condensed financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended 30 June 2021 ('Audited Financial Statements'). These unaudited consolidated condensed financial statements do not include all information required for a complete set of financial statements prepared in accordance with international accounting standard in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('EU') and Article 4 of the IAS Regulations. However, selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Group's financial position and performance since the last financial statements.

Although not required by IAS 34, the comparative figures as at 31 December 2020 for the Consolidated

Condensed Statement of Financial Position and for the year ended 30 June 2021 for the Consolidated Condensed Statement of Comprehensive Income, Consolidated Condensed Statement of Changes in Equity and Consolidated Condensed Statement of Cash Flows and related notes have been included on a voluntary basis.

These consolidated condensed financial statements have been prepared under the historical cost convention, except for investment properties that have been measured at fair value. These consolidated condensed financial statements are presented in Sterling, which is the Group's presentational and functional currency, and all values are rounded to the nearest thousand pounds, except where otherwise shown.

Basis of consolidation
These consolidated condensed financial statements for the half-year ended 31 December 2021 incorporate the financial statements of the Company and its subsidiaries (the 'Group'). Subsidiaries are entities controlled by the Company, being Alternative Income Limited and Alternative Income REIT Holdco Limited. IFRS 10 outlines the requirements for the preparation of consolidated financial statements, requiring an entity to consolidate the results of all investees it is considered to control. Control exists where an entity is exposed to variable returns and has the ability to affect those returns through its power over the investee.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Accounting policies of the subsidiaries are consistent with the policies adopted by the Company.

New standards, amendments and interpretations
The following new accounting amendments have been applied in preparing these consolidated condensed financial statements:

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

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

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

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

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

Estimates
The estimates and associated assumptions that have a significant effect on the amounts recognised in the consolidated financial information outlined below.

Valuation of investment property
The fair value of investment property is determined, by external property valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques, applying the principles of both IAS 40 and IFRS13.

The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation. 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 properties are set out in note 9.

Provision for expected credit losses ('ECL') of trade receivables
Rent collection rates pre-Covid is in the region of 100%. As a result, the Group does not have the data to establish historical loss rates for the expected credit loss analysis.

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

Judgment
Principal versus agent considerations - services to tenants
The Group arranges for certain services to be provided to tenants. These arrangements are included in the contract the Group enters into as a lessor. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. The Group has determined that it is primarily responsible for fulfilling these

services as it directly deals with tenants' complaints and is primarily responsible for the quality or sustainability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

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

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

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

2.3 Segmental information
Each property held by the Group is reported to the chief operating decision maker. In the case of the Group, the chief operating decision maker is considered to be the Board of Directors. The review process for segmental information includes the monitoring of key performance indicators applicable across all properties. These key performance indicators include Net Asset Value, Earnings per Share and valuation of properties. All asset cost and rental allocations are reported by property too. The internal financial reports received by the Directors cover the Group and all its properties and do not differ from amounts reported in the financial statements. The Directors have considered that each property has similar economic characteristics and have therefore aggregated the portfolio into one reportable segment under the provisions of IFRS 8.

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

The Directors have therefore projected the Group's cash flows, for the period up to 31 December 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 Directors note that the Group's main financing of £41.0 million does not mature until 2025 and the Group has reported full compliance with its loan covenants to date. Based on the current cash flow projections, the directors expect to continue to remain compliant with the covenants.

The Directors also note that the headroom of the loan to value covenant is significant and any fall in property values that caused a breach would be significantly more than any currently envisaged.
A 'severe, but plausible, downside' scenario has also been projected. While rent collections have been strong, this scenario anticipates further rent deferrals and write-offs where tenants would have difficulty paying rents.

- The Directors have assumed a rent collection of 80% for Q1 2022 and Q2 2022, decreasing to 70% in Q3 2022 and recovering back to 80% in Q4 2022.
- In such a scenario, the assumption is that 50% of these rent deferrals would be written off, with the remainder repaid over the course of 12 months from Q1 2023. This is in addition to any existing agreements already made with tenants.

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

Having assessed the heightened risks as well as mitigating factors and management strategies available to reduce such risks, the Directors have determined that the Group has adequate resources to continue in operational existence for the foreseeable future (being 12 months following the signing of the Statement of Financial Position).

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

2.5 Summary of significant accounting policies
The accounting policies and methods of computation and presentation adopted in the preparation of the interim financial statements are consistent with those applied in the Audited Financial Statements.

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

3. Rental and other income

	Half year ended 31 December 2021 (unaudited) £'000	Half year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Gross rental income	3,484		6,724

		3,245	
Spreading of minimum contracted future - rent indexation	291	284	571
Spreading of tenant incentives - rent free periods	(44)	(41)	(85)
Total	3,731	3,488	7,210
Service charges and direct recharges (see note 4)	95	38	199
Total rental and other income	**3,826**	**3,526**	**7,409**

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

4. Expenses

	Half year ended 31 December 2021 (unaudited) £'000	Half year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Property operating expenses	54	53	448
Service charges and direct recharges (see note 3)	95	35	199
Reversal of provision for impairment of trade receivables	(197)	(3)	-
Property operating (income) / expenses	**(48)**	**85**	**647**
Investment management fee	180	89	269
Auditor remuneration	33	58	77
Operating costs	274	221	442
Directors' remuneration	39	38	88
Reversal of write off of unreconciled difference	-	(15)	-
Other operating expenses	**526**	**391**	**876**
Total operating expenses	**478**	**476**	**1,523**
Total operating expenses (excluding service charges and direct recharges)	**383**	**441**	**1,324**

5. Finance expenses

	Half year ended 31 December 2021 (unaudited) £'000	Half year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Interest payable on loan	653	656	1,307
Amortisation of loan arrangement fee (note 12)	52	47	99
Other finance costs	6	9	15
Total	**711**	**712**	**1,421**

6. Taxation

	Half year ended 31 December 2021 (unaudited) £'000	Half year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Tax charge comprises:			
Analysis of tax charge in the period			
Profit before tax	6,228	3,033	5,572
Theoretical tax at UK corporation tax standard rate of 19.00 (2020: 19.00%)	1,183	576	1,059
Effects of tax-exempt items under REIT regime	(1,183)	(576)	(1,059)
Total	**-**	**-**	**-**

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

Factors that may affect future tax charges

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

7. Earnings per share and NAV per share

	Half year ended 31 December 2021 (unaudited)	Half year ended 31 December 2020 (unaudited)	Year ended 30 June 2021 (audited)
Earnings per share:			
Total comprehensive income (£'000)	6,228	3,033	5,572
Weighted average number of shares (number)	80,500,000	80,500,000	80,500,000
Earnings per share (basic and diluted) (pence)	**7.74**	**3.77**	**6.92**
EPRA EPS:			
Total comprehensive income (£'000)	6,228	3,033	5,572
Adjustment to total comprehensive income:			
Change in fair value of investment properties (£'000)	(3,494)	(270)	(682)
Gain on disposal of investment property (£'000)	(97)	(425)	(425)
EPRA earnings (basic and diluted) (£'000)	**2,637**	**2,338**	**4,465**
EPRA EPS (basic and diluted) (pence)	**3.28**	**2.90***	**5.55**
Adjusted EPS:			
EPRA earnings (basic and diluted) (£'000) - as above	2,637	2,338	4,465
Adjustments:			
Rental income recognised in respect of guaranteed fixed rental uplifts (£'000)	(291)	(284)	(571)
Rental income recognised in respect of rent free periods (£'000)	44	41	85
Amortisation of loan arrangement fee (£'000)	52	47	99
Reversal of provision for impairment of trade receivables	(197)	(3)	-
Adjusted earnings (basic and diluted) (£'000)	**2,245**	**2,139**	**4,078**
Adjusted EPS (basic and diluted) (pence)**	**2.79**	**2.66***	**5.07**

* Following the review of the EPRA guidelines, it was noted that the gain on disposal of investment property should be excluded from the calculation of the EPRA EPS. Accordingly, the figure for the half year to 31 December 2020 has been amended for basic EPS from 3.43p to 2.90p and for adjusted EPS from 3.19p to 2.66p.

** 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.

	Half year ended 31 December 2021 (unaudited) £'000	Half year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
NAV per share:			
Net assets (£'000)	72,754	68,166	68,893
Ordinary Shares (Number)	80,500,000	80,500,000	80,500,000
NAV per share (pence)	**90.38**	**84.68**	**85.58**

EPRA NAV and EPRA NNNAV (refer to Glossary) are equal to the NAV presented in the Consolidated Condensed Statement of Financial Position under IFRS and there are no adjusting items. Accordingly, a reconciliation between these measures does not need to be provided.

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

	EPRA NRV	EPRA NTA and EPRA NDV
At 31 December 2021		
Net assets value (£'000)	72,754	72,754
Purchasers' cost (£'000)	7,002	-
Break cost on bank borrowings (£'000)	(2,552)	(2,552)
	77,204	**70,202**
Ordinary Shares (Number)	80,500,000	80,500,000
Per share measure	**95.91**	**87.21**

	EPRA NRV	EPRA NTA and EPRA NDV
At 31 December 2020		
Net assets value (£'000)	68,166	68,166
Purchasers' cost (£'000)	8,140	-
Break cost on bank borrowings (£'000)	(5,262)	(5,262)
	71,044	**62,904**
Ordinary Shares (Number)	80,500,000	80,500,000
Per share measure	**88.25**	**78.14**

	EPRA NRV	EPRA NTA and EPRA NDV
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	**90.09**	**81.27**

8. Dividends paid

All dividends are interim dividends

		Dividend Rate	Half year ended 31 December 2021 (unaudited) £'000	Half year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Dividends in respect of year ended 30 June 2020					
4th dividend for quarter ended	30 Jun 2020	1.425p	-	1,147	1,147
Dividends in respect of year ended 30 June 2021					
1st dividend for quarter ended	30 Sep 2020	1.250p	-	1,006	1,006
2nd dividend for quarter ended	31 Dec 2020	1.000p	-	-	805
3rd dividend for quarter ended	31 Mar 2021	1.250p	-	-	1,007
4th dividend for quarter ended	30 Jun 2021	1.640p	1,320	-	-
Dividends in respect of year ending 30 June 2022					
1st dividend for quarter ended	30 Sep 2021	1.300p	1,047	-	-
Total dividends paid			2,367	2,153	3,965
4th dividend for quarter ended	30 Jun 2020	1.425p	-	(1,147)	(1,147)
2nd dividend for quarter ended	31 Dec 2020	1.000p	-	805	-
4th dividend for quarter ended	30 Jun 2021	1.640p	(1,320)	-	1,320
2nd dividend for quarter ended	31 Dec 2021	1.300p	1,047	-	-
Total dividends payable in respect of the period/year			**2,094**	**1,811**	**4,138**
Total dividends payable in respect of the period/year			**2.60p**	**2.25p**	**5.14p**

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

Dividends paid per cash flow statement amount to £2,362,000 (31 December 2020: £2,129,000) include the amount of withholding tax paid.

9. Investment properties

	Half year ended 31 December 2021 (unaudited)			Half year ended 31 December 2020 (unaudited)	Year ended 30 June 2021 (audited)
	Investment properties freehold £'000	Investment properties leasehold £'000	Total £'000	Total £'000	Total £'000
UK Investment properties					
At the beginning of the period/year	75,772	33,458	109,230	101,910	101,910
Acquisition during the period	-	-	-	4,907	6,070
Additions to investment property	-	-	-	1,101	-
Disposal during the period	(5,300)	-	(5,300)	-	-
Change in value of	2,400	1,400	3,800	612	1,250

investment properties Valuation provided by Knight Frank LLP	**72,872**	**34,858**	**107,730**	**108,530**	**109,230**
Adjustment to fair value for minimum rent indexation of lease income (note 10)			(2,956)	(2,466)	(2,709)
Adjustment for lease obligation			446	487	505
Total investment properties			**105,220**	**106,551**	**107,026**

Change in fair value of investment properties

Change in fair value before adjustments for lease incentives and lease obligations	3,800	612	1,250
Movement in lease obligations	(59)	16	34
Adjustment to spreading of contracted future rent indexation and tenant incentives	(247)	(358)	(602)
	3,494	**270**	**682**

Disposal of investment property

During the year, the Group disposed of the investment property known as Trident Business Park, Huddersfield. In July 2020, the Group disposed of the investment property known as Wet n Wild, Royal Quays, North Shields.

The table below shows a reconciliation of the gain recognised on disposal through the Consolidated Condensed 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.

	Half year ended 31 December 2021 (unaudited) £'000	**Half year ended 31 December 2020 (unaudited) £'000**	**Year ended 30 June 2021 (audited) £'000**
Gross proceeds on disposal	5,500	3,204	3,204
Selling costs	(103)	(45)	(45)
Net proceeds on disposal	5,397	3,159	3,159
Carrying value	(5,300)	(2,734)	(2,734)
Gain on disposal of investment property	**97**	**425**	**425**

Valuation of investment properties

Valuation of investment property is performed by Knight Frank LLP, an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued. The valuation of the Group's investment property at fair value is determined by the external valuer on the basis of market value in accordance with the internationally accepted RICS Valuation - Professional Standards (incorporating the International Valuation Standards).

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

Fair value measurement hierarchy

IFRS13 'Fair Value Measurement' specifies the fair value hierarchy and, as explained in Note 10. of the Company's 2021 Audited Financial Statements, the Directors have classified the Company's property portfolio as Level 3. This reflects the fact that inputs to the valuation are not based on observable market data.

10. Receivables and prepayments

	31 December 2021 (unaudited) £'000	**31 December 2020 (unaudited) £'000**	**30 June 2021 (audited) £'000**
Receivables			
Rent debtor	279	1,342	602
Less: Provision for impairment of trade receivables	(16)	(210)	(213)
Other debtors*	5,591*	-	307
Sub total	**5,854**	**1,132**	**696**
Spreading of minimum contracted future rent indexation	2,414	1,881	2,167
Spreading of tenant incentives - rent free periods	542	585	542
Tenant deposit asset (note 11)	79	123	-
Other prepayments	73	19	277
Total	**8,962**	**3,740**	**3,682**

* Other debtors represent net proceeds from the sale of Trident Business Park, Huddersfield being held by the external lender, Canada Life Investments.

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

	31 December 2021 (unaudited) £'000	31 December 2020 (unaudited) £'000	30 June 2021 (audited) £'000
Less than three months due	5,816	618	667
Between three and six months due	38	514	29
Between six and twelve months due	-	-	-
Total	**5,854**	**1,132**	**696**

11. Payables and accrued expenses

	31 December 2021 (unaudited) £'000	31 December 2020 (unaudited) £'000	30 June 2021 (audited) £'000
Deferred income	1,406	1,443	1,445
Trade creditors	30	62	59
Accruals	523	618	603
Tenant deposit liability (note 10)	79	123	-
Other creditors	711	693	934
	2,749	**2,939**	**3,041**

12. Interest bearing loans and borrowings

	31 December 2021 (unaudited) £'000	31 December 2020 (unaudited) £'000	30 June 2021 (audited) £'000
Facility drawn at the beginning of the period/ year	**41,000**	**41,000**	**41,000**
Less: unamortised loan issue costs incurred	(484)	(583)	(583)
Plus: amortised loan issue costs	52	47	99
At end of period/ year	**40,568**	**40,464**	**40,516**
Repayable between 1 and 2 years	-	-	-
Repayable between 2 and 5 years	41,000	-	41,000
Repayable in over 5 years	-	41,000	-
Total	**41,000**	**41,000**	**41,000**

As at 31 December 2021, the Group had utilised all of its £41 million fixed interest loan facility with Canada Life Investments and was geared at a loan to Gross Asset Value ('GAV') of 35.22%. The weighted average interest cost of the Group's facility is 3.19% and the facility is repayable on 20 October 2025.

	31 December 2021 (unaudited) £'000	31 December 2020 (unaudited) £'000	30 June 2021 (audited) £'000
Reconciliation to cash flows from financing activities			
At the beginning of the period/ year	40,516	40,417	40,417
Interest paid	(659)	(709)	(1,322)
Total changes from financing cash flows	**39,857**	**39,708**	**39,095**
Other changes			
Movement in interest payable presented under other creditors	(52)	(3)	(99)
Interest expense	711	712	1,421
Adjustment on loan issue costs	-	-	-
Amortisation of loan issue costs	52	47	99
Total other changes	**711**	**756**	**1,421**
At the end of the period/ year	**40,568**	**40,464**	**40,516**

13. Lease obligations

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

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

	31 December 2021 (unaudited) £'000	31 December 2020 (unaudited) £'000	30 June 2021 (audited) £'000
Within one year	50	50	50
After one year but less than five years	150	200	150
More than five years	538	538	563
Total undiscounted lease liabilities:	**738**	**788**	**763**
Less: Future finance charge on lease obligations	(384)	(396)	(390)
Present value of lease liabilities:	**354**	**392**	**373**

Lease liabilities included in the statement of financial position:			
Current	37	39	38
Non-current	317	353	335
Total:	**354**	**392**	**373**

14. Commitments

Operating lease commitments - as lessor

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

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

	31 December 2021 (unaudited)	**31 December 2020 (unaudited)**	**30 June 2021 (audited)**
	£'000	**£'000**	**£'000**
Less than one year	7,039	6,880	6,957
One to two years	7,723	6,947	7,135
Two to three years	7,341	7,101	7,094
Three to four years	7,279	7,187	7,191
Four to five years	7,307	6,966	7,002
Five to ten years	32,323	30,470	29,898
Ten to fifteen years	26,872	27,615	27,201
Over fifteen years	56,370	61,807	58,889
Total	**152,254**	**154,973**	**151,367**

During the half year ended 31 December 2021 (2020: £nil) there were no material contingent rents recognised as income.

15. Investments in subsidiaries

The Company has two wholly owned subsidiaries as disclosed below:

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

* Ordinary shares of £1.00 each.

Alternative Income REIT plc at 31 December 2021 owns 100% controlling stake of Alternative Income REIT Holdco Limited.

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

16. Issued share capital

Ordinary Shares issued and fully paid of 80,500,000 shares at a nominal value of 1 penny per share. This remains unchanged for all period presented.

17. Transactions with related parties

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

Subsidiaries

Alternative Income REIT plc at 31 December 2021 owns 100% controlling stake of Alternative Income REIT Holdco Limited and Alternative Income REIT Holdco Limited holds 100% of Alternative Income Limited.

Directors

Directors of the Group are considered to be related parties. Directors' remuneration is disclosed in note 4.

Investment Adviser

M7 Real Estate Ltd

M7 Real Estate Ltd was appointed as Investment Adviser on 14 May 2020. The Interim Investment Advisory agreement (amended 26 February 2021) specifies that there were no fees payable up to 30 September 2020. From 1 October 2020, an annual management fee of 0.50% per annum of NAV (subject to a minimum fee of £90,000 per quarter) is due and payable quarterly in advance. During the period 1 July 2021 to 31 December 2021, the Group incurred £180,000 in respect of investment management fees and expenses of which £90,000 was outstanding at period end.

18. Events after reporting date

Dividend

On 3 February 2022, the Board declared an interim dividend of 1.30p in respect of the period from 1 October 2021 to 31 December 2021. This will be paid on 28 February 2022 to shareholders on the register at 11 February 2022. The ex-dividend date was 10 February 2022.

Asset acquisition

On 31 January 2022, the Group acquired a car showroom in Slough for £5.0m (net of acquisition costs to the Company), in an off-market transaction. Further details are available from the RNS published on 31 January 2022 and the Chairman's Statement and Investment Advisor's Report above.

EPRA Performance Measures Calculations

EPRA Yield calculations		At 31 December 2021 (unaudited) £'000	At 31 December 2020 (unaudited) £'000	At 30 June 2021 (audited) £'000
Investment properties wholly owned:				
- by Company		2,100	2,100	2,100
- by Alternative Income Limited		105,630	106,430	107,130
Total - note 9		107,730	108,530	109,230
Allowance for estimated purchasers' costs		7,002	8,140	7,100
Gross up completed property portfolio valuation	b	**114,732**	**116,670**	**116,330**
Annualised cash passing rental income		6,620	6,460	6,965
Annualised property outgoings		(55)	(55)	(55)
Annualised net rents	a	**6,565**	**6,405**	**6,910**
Add: notional rent expiration of rent-free periods or other lease incentives		1,100	1,812	1,171
Topped-up net annualised rent	c	**7,665**	**8,217**	**8,081**
EPRA NIY	**a/b**	**5.72%**	**5.49%**	**5.94%**
EPRA "topped-up" NIY	**c/b**	**6.68%**	**7.04%**	**6.95%**

EPRA Cost Ratios		Half year ended 31 December 2021 (unaudited) £'000	Half year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Include:				
EPRA Costs (including direct vacancy costs) - note 4	a	383	441	1,324
Direct vacancy costs		-	-	-
EPRA Costs (excluding direct vacancy costs)	b	383	441	1,324
Gross rental income - note 3	c	3,731	3,526	7,210
EPRA Cost Ratio (including direct vacancy costs)	**a/c**	**10.27%**	**12.51%**	**18.36%**
EPRA Cost Ratio (excluding direct vacancy costs)	**b/c**	**10.27%**	**12.51%**	**18.36%**

EPRA Vacancy rate		Half year ended 31 December 2021 (unaudited) £'000	Half year ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Annualised potential rental value of vacant premises	a	40	-	-
Annualised potential rental value for the completed property portfolio	b	6,609	6,925	6,927
EPRA Vacancy rate	**a/b**	**0.6%**	**0.0%**	**0.0%**

Alternative Performance Measure (APM) Calculations

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

Share Price and Net Asset Value (NAV) Total Return

Share price and NAV total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. Share price and NAV total returns are monitored against FTSE EPRA Nareit UK and FTSE Small Cap, respectively.

		Share price	NAV
Opening at 1 July 2021	a	71.00p	85.58p
Closing at 31 December 2021	b	72.20p	90.38p
Return	c=(b/a)-1	1.69%	5.61%
Dividend reinvestment *	d	4.15%	4.04%
Total shareholder return	c+d	5.84%	9.65%
Opening at 1 July 2020	a	53.50p	83.58p
Closing at 31 December 2020	b	60.00p	84.68p
Return	c=(b/a)-1	12.15%	1.32%
Dividend reinvestment*	d	5.00%	3.71%
Total shareholder return	c+d	17.15%	5.02%

* Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend. NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend.

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

		31 December 2021	31 December 2020	30 June 2021
Adjusted EPS	a	2.79	2.66	5.07
Dividend per share	b	2.60	2.25	5.14
Dividend cover	a/b	107.31%	118.22%	98.64%

Loan to GAV
Loan to GAV measures 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 assets.

		31 December 2021	31 December 2020	30 June 2021
Borrowings (£'000)	a	41,000	41,000	41,000
Total assets (£'000)	b	116,425	111,961	112,823
Loan to GAV	(a/b)	35.22%	36.62%	36.34%

Ongoing Charges
The ongoing charges ratio is the total for all operating costs expected to be regularly incurred expressed as a percentage of the average quarterly NAVs of the Group for the financial period. Note that the ratio for 31 December is based on actual ongoing charges to 31 December and forecast ongoing charges to the following June (shown as annualised in the below calculation).

		31 December 2021	31 December 2020	30 June 2021
Other operating expenses for the half year / year (£'000)	a	526	391	876
Ongoing charges- annualised where required (£'000)	b	1,012†	992†	876
Average net assets (£'000)	c	70,214	68,459	68,893
Ongoing charges ratio	b/c	1.44%	1.45%	1.27%*

* The Company benefited from an investment adviser fee holiday during 2020. Adjusting for the impact of this fee holiday, the ongoing charges ratio for the year to 30 June 2021 would have been 13 bps higher than reported.
† Non-recurring legal costs of £20,000 have been excluded in the annualised amount for 31 December 2021 (31 December 2020: excluded non-recurring write back of £15,000 and investment adviser fee holiday for three months of £90,000).

Annualised Gross Passing Rental Income
The annualised gross passing rent is the rent roll at the reporting date, taking account of any in-place rent free incentives or step rents annualised on a straight-line basis over the following 12-month period.

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
October 2022	Announcement of annual results
November 2022	Annual General Meeting
31 December 2022	Half year end
March 2023	Announcement of interim results

Glossary

Alternative Investment Fund Manager or AIFM or Investment Manager	Langham Hall Fund Management LLP.
Company	Alternative Income REIT plc.
Contracted rent	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
Earnings Per Share ('EPS')	Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.
EPRA	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
Equivalent Yield	The internal rate of return of the cash flow from the property, assuming a rise to Estimated Rental Value at the next review or lease expiry. No future growth is allowed for.
Estimated Rental Value ('ERV')	The external valuer's opinion as to the open market rent which, on the date of the valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
External Valuer	An independent external valuer of a property. The Group's External Valuer is Knight Frank LLP.
Fair value	The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion.
Fair value movement	An accounting adjustment to change the book value of an asset or liability to its fair value.
FCA	The Financial Conduct Authority.
Gross Asset Value ('GAV')	The aggregate value of the total assets of the Group as determined in accordance with IFRS.
IASB	International Accounting Standards Board.
IFRS	International financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board.
Investment Adviser	M7 Real Estate Limited.
IPO	The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and admission of Ordinary Shares to the premium listing segment of the Official List on 6 June 2017.
Lease incentives	Incentives offered to occupiers to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules the value of the lease incentive is amortised through

	the Consolidated Statement of Comprehensive Income on a straight-line basis until the lease expiry.
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 in-place lease incentives.
pps	Pence per share.
REIT	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation Tax Act 2010. Subject to the continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
Reversion	Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV.
Share price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
Weighted Average Unexpired Lease Term ('WAULT')	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).

Shareholder Information

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

Company Website
https://www.alternativeincomereit.com/

Registered Office
1 King William Street
London
EC4N 7AF

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

Investment Adviser and Administrator ('Investment Adviser')
M7 Real Estate Limited
3rd Floor
The Monument Building
11 Monument Street
London
EC3R 8AF

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

Depositary
Langham Hall UK Depositary LLP
8th Floor

1 Fleet Place
London
EC4M 7RA

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

Company Secretary
Hanway Advisory Limited
1 King William Street
London
EC4N 7AF

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

Auditor
Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
Barbican
London
EC1M 7AD

Valuer
Knight Frank LLP
55 Baker Street
London
W1U 8AN

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

Legal Adviser to the Company
Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

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

END