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Alternative Income REIT PLC
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29 September 2023

ALTERNATIVE INCOME REIT PLC

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

Annual Report and Financial Statements for the year ended 30 June 2023

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 with index-linked reviews, is pleased to announce its annual report and financial statements for the year ended 30 June 2023.

Financial Highlights

At 30 June

	2023	2022	Change
Net Asset Value ('NAV')	£67.8 million	£77.6 million	-12.7%
NAV per share	84.16p	96.40p	-12.7%
Share price	64.70p	82.10p	-21.2%
Share price discount to NAV A	23.1%	14.8%	8.3%
Investment property fair value (based on external valuation)	£107.0 million	£117.9 million	-9.2%
Loan to gross asset value ('GAV') A	36.8%	33.7%	-
Loan facility	£41.0 million	£41.0 million	-

For the year ended 30 June

	2023	2022	Change
EPRA earnings per share ('EPS') A	6.75p	6.27p	7.7%
Adjusted EPS A	6.43p	5.57p	15.4%
Total dividends per share	6.045p	5.50p	9.9%
Dividend cover A	106.4%	101.3%	5.1%
Dividend yield A	9.3%	6.7%	2.6%
Operating profit (including gain on sale of investment property but excluding fair value changes)	£6.9 million	£6.6 million	4.5%
(Loss)/ profit before tax	(£5.2) million	£13.2 million	-139.4%
(Loss)/ earnings per share	(6.51p)	16.36p	-139.8%
Share price total return A	(14.2%)	24.3%	-
NAV total return A	(6.7%)	22.5%	-
Gross passing rental income	£7.6 million	£7.2 million	5.6%
Ongoing charges	1.39%	1.42%	-3bps

Financial Highlights Overview

- The NAV decrease to 84.16 pence per share ("pps") was primarily due to the £10.9 million (9.2%) reduction in the fair value of the investment properties which were impacted by an upward yield movement across the wider UK real estate sector, driven primarily by rises in interest rates and inflation during the year.
- Dividends in respect of the year totalled 6.045pps, a 9.9% increase from the previous year and in excess of the Board's 2023 target annual dividend of at least 5.70pps.

- Dividends declared and paid for the year were 106.4% covered by EPRA earnings per share.
- Dividend yield has increased to 9.3%, a 2.6% increase from the prior year as a result of market conditions negatively impacting the share price of the Company.
- Loss before tax of £5.2 million, equivalent to 6.51pps, is primarily due to the £10.9 million (9.2%) reduction in the fair value of the investment properties.
- Loan to GAV of 36.8% and interest cover ratio of 614.50% gives significant headroom on the lender's loan to value covenant of 60% and interest cover covenant of 250%. The loan matures in October 2025 and is fixed at a weighted average interest cost of 3.19%.

Operational Overview

At the Group's year end of 30 June 2023:

- The Group's property portfolio had a fair value of £107.0 million across 19 properties (2022: £117.9 million across 19 properties).
- The EPRA Net Initial Yield [A] ('NIY') was 6.6% (2022: 5.7%).
- 97.0% of the portfolio's income stream is reviewed periodically (45% annually) on an upward only, inflation linked basis to Retail Price Index ('RPI') or Consumer Price Index ('CPI').
- The portfolio remained fully let at the year end..
- Weighted average unexpired lease term ('WAULT'):
  - 17.0 years to the earlier of break and expiry (2022: 17.5 years) and
  - 18.9 years to expiry (2022: 19.4 years).

Income and expense during the year

- Rent recognised was £8.1 million (2022: £7.5 million), of which £0.4 million was accrued debtors for the combination of rental smoothing of minimum uplifts and rent-free periods (2022: accrued debtors of £0.5 million).
- A total of 14 rent reviews took place during the year, which resulted in a combined rental uplift of £346,000, which represents a 4.8% increase on contracted rent across the portfolio.
- Ongoing charges decreased from 1.42% to 1.39% which is a result of the Board successfully continuing its effort to manage costs effectively.
- The Group received £825,000 during the year, in full and final settlement of litigation to recover costs incurred in respect of works to replace defective cladding on the Travelodge Hotel, Swindon. This one-off receipt has been proportionally allocated as £606,000 to capital, as a reduction in acquisition costs and £219,000 to revenue, recognised as other property income. Further detail is contained in note 15.3 of the financial statements.

Property transactions during the year

- There were no property transactions in the year, however, shortly after the year end the Group completed the disposal of a property in Glasgow at a 7.9% premium on the book value at 30 June 2023, as detailed below.

Post balance sheet highlights

- On 2 August 2023, the Board approved the interim dividend for the quarter ended 30 June 2023 of 1.92pps. As a result, the dividend target of 5.70pps for the year ended 30 June 2023 was met. The 1.92pps interim dividend included an additional 0.345pps in respect of non-rental income that was received in the year following the successful settlement of a historical legal case. This dividend was paid on 25 August 2023 to shareholders on the register at 11 August 2023. The ex-dividend date was 10 August 2023.
- By 29 September 2023, the Group had collected 100% of rent due for the four rental quarters of the financial year being reported.
- On 8 August 2023, the Group completed the disposal of Mercure Hotel, Ingram Street, Glasgow to the occupier for £7.5 million, a 7.9% premium on the book value at 30 June 2023. The Board intends to reinvest the net proceeds from the sale as soon as practical.

[A] Alternative Performance Measure, please see below for further details.

Simon Bennett, non-executive chairman of Alternative Income REIT plc, comments:

"During the period under review, the global economy has been impacted by high inflation and central banks have responded by aggressively raising interest rates. In general terms, the impact of these rising interest rates has affected real estate valuations and share prices detrimentally, with a significant downward movement in valuations particularly in the first half of the financial year, although valuations of the Group's portfolio have now stabilised. I am also pleased to report that post year end, the sale of the Group's hotel in Glasgow was achieved at a 7.9% premium to its book value as at 30 June 2023.

The current UK economic woes plays to the strengths of the Group's resilient and diversified portfolio, which is let on long-dated and higher yielding leases with index-linked rental increases. Dividends declared for the year totalled 6.045pps, a 9.9% increase from the previous year and in excess of the Board's 2023 target annual dividend of at least 5.7pps and were fully covered by earnings.

The Group's portfolio is expected to perform relatively well during a period of higher inflation, as 97.0% of the portfolio's income stream is reviewed periodically. In the coming financial year, approximately 58.0% of the Group's income will be subject to rent reviews, 45.0% as annual index-linked rent reviews and the remaining 13.0% being periodic 5 yearly index-linked rent reviews. Accordingly, the Board remains confident that the Company is well-positioned for the future, with a resilient portfolio well-placed to continue to provide secure, index-linked income with the potential for capital growth."

ENQUIRIES

Alternative Income REIT PLC Simon Bennett - Chairman	via H/Advisors Maitland below
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Alex Collins	
Tom Scrivens	
H/Advisors Maitland (Communications Adviser)	+44(0) 7747 113 930
James Benjamin	aire-maitland@h-advisors.global

The Company's LEI is 213800MPBIJS12Q88F71.

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

About the Group

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

The Company's Investment Adviser is M7 Real Estate Limited ("M7"). M7 is a leading specialist in the pan-European, regional, multi-tenanted real estate market. Majority owned by its senior managers, it has over 200 employees in 15 countries across Europe. The team manages over 620 properties with a value of circa €6.9 billion.

Notes

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

CHAIRMAN'S STATEMENT

Overview

I am pleased to present the annual audited results of Alternative Income REIT plc (the 'Company') together with its subsidiaries (the 'Group') for the financial year ended 30 June 2023.

The current UK economic environment with high levels of inflation and interest rates, and low growth plays to the strengths of the Group's resilient portfolio, which is let on long-dated and higher yielding leases with index linked rental increases.

During the period under review the global economy has been impacted by high inflation rates. Central banks have responded by aggressively raising interest rates. In the UK, the Bank of England has increased base rates from 1% in June 2022 to 5.25% currently. In general terms, the impact of these rising interest rates has affected real estate valuations and share prices detrimentally, with a significant downward movement in valuations particularly in the first half of the financial year, although valuations of the Group's portfolio have now stabilised. I am also pleased to report that post year end, the sale of the Group's hotel in Glasgow was achieved at a 7.9% premium to its book value at 30 June 2023.

In summary, the value of the Group's properties showed a fall of £10.9 million to £107.0 million (30 June 2022: £117.9 million), when compared to the previous financial year. The portfolio is expected to perform relatively well during a period of higher inflation, as 97.0% of its rental income is subject to index-linked reviews and 31.0% of this rental income is not subject to any cap. During the financial year, a total of 14 rent reviews took place, which resulted in a combined rental uplift of £346,000, which represents a 4.8% increase on contracted rent across the portfolio.

The Group also benefits from a low overhead base and fixed borrowing costs until October 2025. Together with the active asset management initiatives being undertaken, the Board expects that the portfolio will continue to deliver an attractive yield as a result of its secure and growing rental income.

Portfolio Performance

At 30 June 2023, the Group's property portfolio had a fair value of £107.0 million (2022: £117.9 million). The portfolio had a net initial yield of 6.6% (2022: 5.7%), and a WAULT to the first break of 17.0 years, 18.9 years to expiry (2022: 17.5 years to first break, 19.4 years to expiry).

Financing

The Group has fully utilised its £41.0 million loan facility with Canada Life Investments throughout the year. The weighted average interest cost of the facility is 3.19% and it is repayable on 20 October 2025. There would be no penalties for repaying the Group's loan facility ahead of maturity, provided the corresponding gilt rate is lower than the contracted rate of interest.

Dividends and Earnings

During this financial year the Group declared four interim dividends meeting the dividend target of 5.70pps, together with an extra 0.345pps declared which represented non-rental income that was received, the majority of this arising from the successful settlement of a historical legal case. This means that the total dividends declared for the year amounted to 6.045pps, representing an increase of 9.9% on the dividends declared in the previous year (2022: total dividends declared of 5.5pps). The increased dividends declared for this year reflect the resilience of the Group's underlying property portfolio and the strength of its quarterly collection of rent due, which remains 100%.

As set out in Note 8 to the Consolidated Financial Statements, these dividends were covered by both EPRA Earnings [A] of 6.75pps (2022: 6.27pps), and the Group's Adjusted EPS (representing cash) of 6.43pps (2022: 5.57pps). Note 9 sets out all dividends paid and payable in the year. All dividends were paid as Property Income Distributions ('PIDs').

Historically the Board has paid dividends in four equal instalments each financial year. The Board intends to continue with this practice by making dividend payments in November, February, May and August each year. In order to do this, all dividends need to be declared and paid as interim dividends. The Board, however, recognises that this precludes shareholders from having the opportunity to vote on a final dividend. Recognising this, and although not required to do so, resolution 9 in the AGM notice gives shareholders the opportunity to vote on this dividend policy.

Discount

The discount of the Company's share price to NAV at 30 June 2023 widened to 23.1% from 14.8% at the previous year end. The Board monitors the discount level throughout the year and has the authority to both issue and buy back shares. Although these powers have not been used to date, the Board believes these authorities are important powers for it to have available, if required, and therefore recommends that shareholders vote in favour of their continuance at the forthcoming AGM.

Property Transaction After the Year End

Subsequent to the year end, on 8 August 2023, the Company completed the sale of the Mercure City Hotel, Ingram Street, Glasgow, for a total consideration of £7.5 million to the current tenant S Hotels & Resorts (UK) Limited. This property represented 6.5% of the Group's portfolio at 30 June 2023. The disposal represents a 7.9% premium on the book value at that date and a next exit yield of 8.9%. The sale will enable the proceeds to be recycled into one or more properties as the Group seeks to achieve further diversification of the portfolio's tenants and assets.

Board Composition

During the year, I joined the Board as an independent non-executive director and chairman-designate. The previous chairman Alan Sippetts retired at the conclusion of the Company's AGM on 30 November 2022 and I succeeded him. I would like to take this opportunity to thank Alan Sippetts for the significant contribution he made to the Group during his tenure as a director and latterly as chairman.

AGM

The Company will hold its AGM at 10am on Wednesday 15 November 2023 at The Monument Building, 11 Monument Street, London EC3R 8AF. As usual, the Investment Adviser will give a presentation on the Group prior to the AGM.

I always welcome engagement with shareholders and they should be aware that if they are unable to attend in person, they can submit questions to the Board by emailing the Company Secretary at cosec@hanwayadvisory.com or by writing to me at Alternative Income REIT plc, 1 King William Street, London EC4N 7AF.

Outlook

The Board remains confident that the Company is well-positioned for the future, with a resilient portfolio well-placed to continue to provide secure, index-linked income with the potential for capital growth.

The Company exceeded its target annual dividend of at least 5.7pps for the year ended 30 June 2023 and the dividends were fully covered by earnings. In the coming financial year, approximately 58.0% of the Group's income will be subject to rent reviews, 45.0% as annual index-linked rent reviews and the remaining 13.0% being periodic five-yearly index-linked rent reviews.

I would like to thank my colleagues on the Board, the Investment Adviser, the Company Secretary and our other advisers and service providers, who have provided professional support and services to the Group during this financial year. We have a good team, to whom a large proportion of the Group's success can be attributed.

Simon Bennett
Chairman
29 September 2023

BUSINESS MODEL AND STRATEGY

Introduction

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

Investment Objective

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

Investment Policy

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

In the event of a breach of the investment policy or the investment restrictions set out below, the Alternative Investment Fund Manager ('AIFM'), as advised by the Investment Adviser, shall inform the Board upon becoming aware of the same and, if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the AIFM, as advised by the Investment Adviser, will look to resolve the breach.

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

Investment Strategy

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

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

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

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

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

- a WAULT, at the time of investment, in excess of 18 years;
- at least 85% of the gross passing rent will have leases with rent reviews linked to inflation (RPI or CPI) at the time of investment;
- investment in properties which typically have a value, at the time of investment, of between £2 million and £30 million;
- at least 70% of the properties will be in non-traditional sectors;
- less than 30% of the properties will be in the traditional sectors of Retail, Industrial and Offices; and
- over 90% of properties will be freehold or very long leasehold (over 100 years).

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

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

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

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

The Group does not intend to spend any more than 5% of the NAV in any rolling 12-month period on (a) the

The Group does not intend to spend any more than 5% of the NAV in any rolling 12-month period on (a) the refurbishment of previously occupied space within the existing Portfolio, or (b) the refurbishment of new properties acquired with vacant units.

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

Investment Restrictions

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

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

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

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

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

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

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

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

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

Borrowings

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

Dividend Policy

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

KEY PERFORMANCE INDICATORS

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
Net Initial Yield ('NIY')		6.58**%**
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with purchasers' costs estimated by the Group's External Valuers.	The NIY is an indicator of the ability of the Group to meet its target dividend after adjusting for the impacts of leverage and deducting operating costs.	At 30 June 2023 (2022: 5.70%)
Weighted Average Unexpired Lease Term ('WAULT') to break and expiry		**17.0 years to break and 18.9 years to expiry**
The average lease term remaining to expiry across the portfolio, weighted by contracted rent.	The WAULT is a key measure of the quality of the portfolio. Long leases underpin the security of our future income.	At 30 June 2023 (2022: 17.5 years to break and 19.4 years to expiry)
Net Asset Value ('NAV') per share		**£67.75 million/84.16pps**
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	At 30 June 2023

minus the value of its liabilities.	relevant information on the fair value of the assets and liabilities of the Group.	(2022: £77.60 million/96.40pps)
Dividend per share		**6.045pps**
Dividends declared in relation to the period are in line with the stated dividend target as set out in the Prospectus at IPO. Having achieved the target dividend of 5.70 pence per Ordinary Share per annum, the aim now is to ensure an increasing dividend in line with the Company's Investment Objective.	The Group seeks to deliver a sustainable income stream from its portfolio, which it distributes as dividends.	For the year ended 30 June 2023 (2022: 5.50pps)
Adjusted EPS		**6.43pps**
Adjusted EPS from core operational activities, as adjusted for non-cash items. A key measure of a company's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. See Note 8 to the financial statements.	This reflects the Group's ability to generate earnings from the portfolio which underpins dividends.	For the year ended 30 June 2023 (2022: 5.57pps)
Leverage (Loan-to-GAV)		**36.76%**
The proportion of the Group's assets that is funded by borrowings.	The Group utilises borrowings to enhance returns over the medium term. Borrowings will not exceed 40% of GAV (measured at drawdown).	At 30 June 2023 (2022: 33.69%)

EPRA PERFORMANCE MEASURES

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
EPRA NIY[1] - unaudited		**6.58%**
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of two portfolios compare.	At 30 June 2023 (2022: 5.70%)
EPRA 'Topped-up' NIY[1] - unaudited		**7.08%**
This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of two portfolios compare.	At 30 June 2023 (2022: 6.41%)
EPRA NAV[2]		**£67.75 million /84.16pps**
Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a real estate investment company with a long-term investment strategy.	At 30 June 2023 (2022: £77.60 million/96.40pps)
EPRA Net Reinstatement Value[2]		**£74.71 million/ 92.80pps**
The EPRA NRV adds back the purchasers' costs deducted from the EPRA NAV and deducts the break cost of bank borrowings.	A measure that highlights the value of net assets on a long-term basis.	At 30 June 2023 (2022: £84.77 million/105.31pps)

of bank borrowings.

EPRA Net Tangible Assets[2]		**£67.75 million/ 84.16pps**
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.	At 30 June 2023 (2022: £77.11 million/95.79pps)
EPRA Net Disposal Value[2]		**£67.75 million/ 84.16pps**
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.	At the year ended 30 June 2023 (2022: £77.11million/95.79pps)
EPRA Earnings/EPS[2]		**£5.43 million/ 6.75pps**
Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	For the year ended 30 June 2023 (2022: £5.05 million/6.27pps)
EPRA Vacancy[1] **– unaudited**		**0.00%**
Estimated Rental Value ('ERV') of vacant space divided by ERV of the whole portfolio.	A 'pure' percentage measure of investment property space that is vacant, based on ERV.	At 30 June 2023 (2022: 0.00%)
EPRA Cost Ratio[1] **- unaudited**		**15.23%**
Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	For the year ended 30 June 2023 (2022: 13.79%)

EPRA NNNAV (the EPRA NAV adjusted to include the fair value of hedging instruments, financial debt and deferred taxes) is equal to EPRA NAV as there are no adjusting items. As such this measure has not been presented.

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

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

INVESTMENT ADVISER'S REPORT

Introduction

The UK and indeed the Global real estate market have been through a challenging period. As predicted in our 2022 Investment Adviser's Report, persistently high inflation, increased debt costs and low consumer confidence are driving the 2023 story.

Market Outlook

UK Economic Outlook

After a strong post COVID rebound the UK economy is now more challenging. Output is declining; inflation remains elevated, above the long term average and the labour market is showing signs of weakening. Whilst GDP slowed to 0.2% in Q2 2023, there is a growing belief that the UK may avoid a recession, with an expectation that the economy will slowly recover during 2024.

Businesses and consumers have limited their spending, faced with spiralling prices and high interest rates on loans and mortgages. Retail sales have declined as consumer confidence is hit due to the 'cost of living crisis'. Consequently, businesses are expected to have to cut costs to preserve their margins which are expected to lead to some job losses and higher unemployment in 2023.

The key economic challenge is inflation which, having been in double digits for 15 months and hitting levels not seen since the 1980s of 14.2% (RPI October 2022), has now started to decrease, to 9.1% (RPI August 2023). Higher interest rates, cooling domestic demand and lower wholesale import pricing have started to take effect on the economy and inflation is widely predicted to fall back to more sustainable levels by the end of 2023.

The August 2023 Bank of England base rate increase to 5.25% was the 14th consecutive hike, but they chose to halt

The August 2023 Bank of England base rate increase to 5.25% was the 14th consecutive hike, but they chose to halt rates at 5.25% at the September meeting following better than expected falls in inflation indicators. Financial markets expect the base interest rate to rise a little more. This is widely forecast to peak at 5.5% in 2024, but some analysts predict a climb to 5.75%.

The UK economy is expected to return to low level economic growth in 2024, thereby avoiding the long-term scarring of reduced business investment, high long-run unemployment and a permanent decline in key sectors.

UK Real Estate Outlook

After rising substantially over the last two quarters of 2022, commercial property yields effectively plateaued in early 2023. At that time, core inflation data, on the upside of expectations, caused the market to think again. Some were expecting that the previous 'yield peak' may be an inflection point with some yield softening in the latter half of 2023, others suspected an extended period of relative stability.

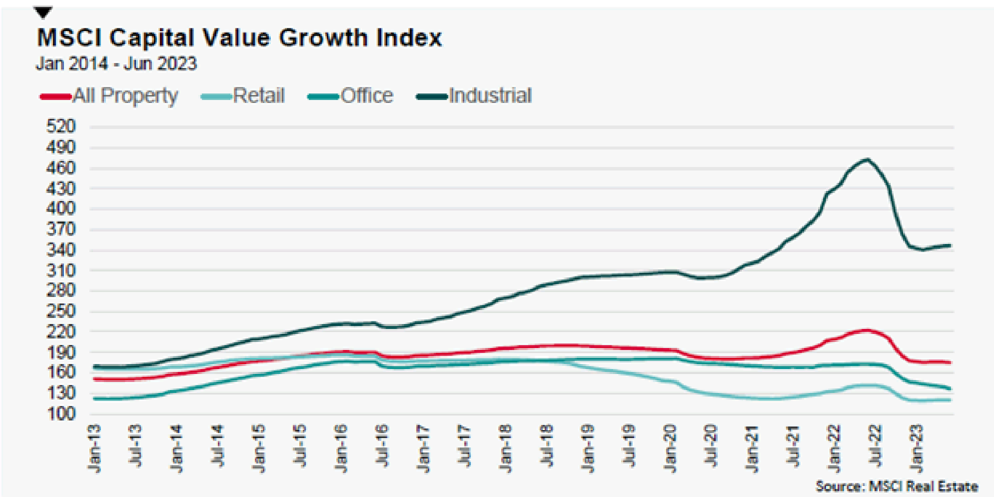
Forecasters' predictions for a peak in base rates went through a volatile period in the first half of 2023, ranging from 6.0% to 6.5% This rate shift from 5.0% is relatively small compared with the near doubling of the cost of debt last year. Investors in a position to take a medium to long-term view, with long-term drawn down facilities at below current debt pricing, may well start taking key assets from leveraged investors. There is still a weight of global capital seeking a home in UK real estate.

The gap between stronger and weaker assets with more vulnerable occupiers is widening. Investment volumes are down, sellers are reluctant to dispose of assets, and new development supply is slowing. Another summer of low activity was expected.

It is income returns, rather than capital growth, which are expected to continue to drive performance in 2023. Business insolvencies, property defaults and consequently void rates are marginally increasing. However, where businesses have requirements there is a focus on quality and sustainability, reducing their occupational overheads and retaining staff. Moreover, the ongoing lack of suitable development supply continues to underpin prime markets particularly in comparison with secondary space.

The MSCI Capital Value Growth Index (June 2023) demonstrates the historical movement in the investment market, showing the rerating in the second half of 2022 and the recent stability. The industrial sector, being the lowest yielding, fell back more dramatically than the other main sectors, when rising inflation and interest rates hit. This sector sits relatively favourably at present, with a significant global weight of capital targeting the sector, despite headwinds for occupiers. Void rates may rise somewhat over the short term, but rental growth is expected to remain positive.

Both investors and occupiers have a renewed focus on the physical climate risk after record temperatures which may be the new norm. Each are developing a better understanding of the value of sustainability features, accurate measurement of 'green' features and the impact of improved energy efficiency on the corporate bottom line. More mandatory disclosure requirements are expected, including net zero transition plans.



Portfolio Activity During the Year

The following asset management initiatives were undertaken during the year:

- **Rent Reviews:** A total of 14 rent reviews took place during the year with a combined uplift of £346,000 representing a 4.79% increase in contracted rent across the portfolio.
- **Droitwich:** Pets at Home have renewed their lease for a further five years from 14 January 2023 at £113,000 per annum with a nine-month rent free allowance.
- **Bramall Court, Salford:** Following an application from the tenant, Mears Group, the Company has agreed to a change of use for the above property from student accommodation to social housing. Following a surrender of the original lease for a 345-bed secondary student accommodation block, a new, institutionally acceptable, social housing lease has been agreed. This incorporates a new undertenant, the Registered Provider, Plexus UK (First Project) Limited, and a 10-year nomination agreement with Salford City Council. Bramall Court is now almost 100% occupied by previously homeless local families, as the 115 flats were recently refurbished by the tenant. The rent, rent review period and lease length are unaltered.

NAV Movements

For the year ended 30 June	2023		2022	
	Pence per share	£ million	Pence per share	£ million
NAV at beginning of year	96.40	77.60	85.58	68.89
Change in fair value of investment property	(13.26)	(10.67)	9.97	8.02
Income earned for the year	10.76	8.66	9.81	7.90
Gain on sale of property	-	-	0.12	0.10
Finance costs for the year	(1.77)	(1.43)	(1.77)	(1.42)
Other expenses for the year	(2.24)	(1.80)	(1.77)	(1.43)
Dividends paid during the year	(5.73)	(4.61)	(5.54)	(4.46)
NAV at the end of the year	**84.16**	**67.75**	**96.40**	**77.60**

Valuation

At 30 June 2023 the Group owned 19 assets (30 June 2022: 19 assets). The 19 properties held for the year were valued at £107.0 million at 30 June 2023 (30 June 2022: £117.9 million).

Summary by Sector at 30 June 2023

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	24.5	22.9	100.0	23.8	1.7	1.6	22.9
Hotel	3	20.1	18.8	100.0	12.9	1.7	1.4	20.6
Healthcare	3	18.0	16.8	100.0	25.5	1.2	1.1	15.6
Automotive & Petroleum	3	15.0	14.0	100.0	12.9	1.1	1.0	14.0
Residential	1	12.0	11.2	100.0	18.1	0.7	0.7	9.5
Retail	1	5.4	5.1	100.0	6.2	0.3	0.4	5.4
Leisure	2	5.4	5.0	100.0	6.3	0.5	0.4	5.5
Power Station	1	4.8	4.5	100.0	8.7	0.3	0.3	4.7
Education	1	1.8	1.7	100.0	20.6	0.1	0.1	1.8
Total/Average	**19**	**107.0**	**100.0**	**100.0**	**17.0**	**7.6**	**7.0**	**100.0**

Summary by Geographical Area at 30 June 2023

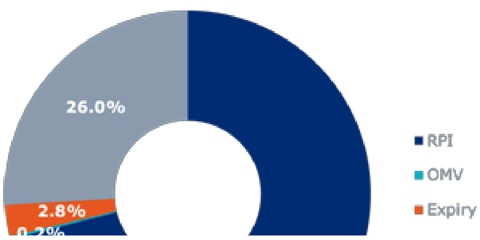
Geographical Area	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Gross Passing Rental Income (£m)	ERV (£m)	ERV (%)
West Midlands	4	26.2	24.5	100.0	12.1	1.8	1.9	26.6
The North West & Merseyside	2	23.3	21.7	100.0	34.4	1.5	1.2	17.5
South East excluding London	5	21.8	20.3	100.0	10.4	1.4	1.4	19.2
South West	2	12.4	11.7	100.0	21.6	0.9	0.8	11.6
Scotland	1	6.9	6.5	100.0	13.2	0.8	0.6	8.7
Yorkshire and the Humber	2	6.2	5.8	100.0	18.6	0.4	0.4	6.2
London	2	5.4	5.0	100.0	6.3	0.5	0.4	5.5
Eastern	1	4.8	4.5	100.0	8.7	0.3	0.3	4.7
Total/Average	**19**	**107.0**	**100.0**	**100.0**	**17.0**	**7.6**	**7.0**	**100.0**

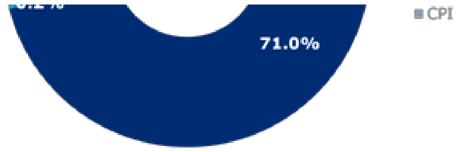
The table below illustrates the weighting of the Group's contracted rental income, based on the type of rent review associated with each lease.

Income Allocation by Type

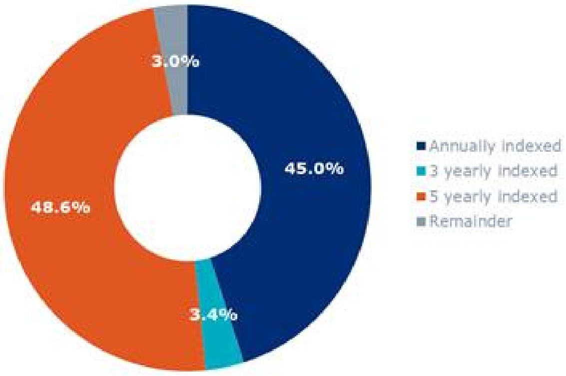
Inflation linked - RPI	71.0% (2022: 69.6%)
Inflation linked - CPI	26.0% (2022: 26.3%)
Expiry or Open Market Value Reviews	3.0% (2022: 4.1%)

% of Passing Rent by Rent Review Type

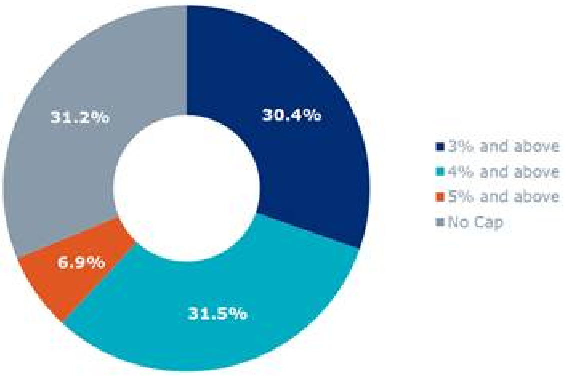




% of Passing Rent by Review Frequency



% of Passing Rent by Cap Band



Property Portfolio at 30 June 2023

Property	Sector	Region	Market Value (£m)
Bramall Court, Salford	Residential	North West & Merseyside	12.0
Pocket Nook Industrial Estate, St Helens	Industrial	North West & Merseyside	11.2
Premier Inn, Camberley	Hotel	South East excluding London	7.5
Grazebrook Industrial Estate, Dudley	Industrial	West Midlands	7.3
Mercure City Hotel, Glasgow	Hotel	Scotland	6.9
Motorpoint, Birmingham	Automotive & Petroleum	West Midlands	6.9
Silver Trees, Bristol	Healthcare	South West	6.8
Prime Life Care Home, Solihull	Healthcare	Yorkshire and the Humber	6.7
Travelodge, Duke House, Swindon	Hotel	South West	5.6
Droitwich Spa Retail Park, Droitwich	Retail	West Midlands	5.4
Hoddesdon Energy, Hoddesdon	Power Station	Eastern	4.8
Prime Life Care Home, Brough	Healthcare	Yorkshire and the Humber	4.4
Volvo Slough, Slough	Automotive & Petroleum	South East excluding London	4.3
Unit 2, Dolphin Park, Sittingbourne	Industrial	South East excluding London	4.2
Applegreen Petrol Station, Crawley	Automotive & Petroleum	South East excluding London	3.9
Pure Gym, London	Leisure	London	3.6
YMCA Nursery, Southampton	Education	South East excluding London	1.9
Snap Fitness, London	Leisure	London	1.8
Unit 14, Provincial Park, Sheffield	Industrial	Yorkshire and the Humber	1.8

Top Ten Tenants at 30 June 2023

Tenants	Property	Annual Contracted Rental Income (£'000)	% of Portfolio Total Passing Rental Income	WAULT to break (Years)
Jupiter Hotels Ltd	Mercure City Hotel, Glasgow	761.0	10.1%	13.2
Meridian Steel Ltd	Grazebrook Industrial Estate, Dudley and Provincial Park, Sheffield	744.3	9.8%	3.9
Mears Group Plc	Bramall Court, Salford	734.6	9.7%	18.1
Prime Life Ltd	Lyndon Croft Care Centre, Solihull and Westerlands Care Village, Brough	728.7	9.6%	25.4
Premier Inn Hotels Ltd	Premier Inn, Camberley	503.5	6.7%	8.7
Motorpoint Ltd	Motorpoint, Birmingham	500.0	6.6%	14.0
Handsale Ltd	Silver Trees, Bristol	455.7	6.0%	25.6
Travelodge Hotels Ltd	Duke House, Swindon	403.1	5.3%	17.9
Hoddesdon Energy Ltd	Hoddesdon Energy, Hoddesdon	332.7	4.4%	8.7
Biffa Waste Services Ltd	Pocket Nook Industrial Estate, St Helens	314.4	4.2%	110.1
Total		**5,478.0**	**72.4%**	**20.6**

Tenancy Schedule

Tenant	Property	Annual Contracted Rental Income (£ '000)	Break Date	Expiry Date
Jupiter Hotels Ltd	Mercure City Hotel	741.0		23/08/2036
Mears Group Plc	Bramall Court	734.6		16/08/2041
Premier Inn Hotels Ltd	Premier Inn	503.5	25/03/2032	24/03/2037
Motorpoint Ltd	Motorpoint	500.0		24/06/2037
Handsale Ltd	Silver Trees	455.7		14/01/2049
Prime Life Ltd	Prime Life Care Home	426.3		21/11/2048
Travelodge Hotels Ltd	Duke House	403.1		31/05/2041
Meridian Steel Ltd	Grazebrook Industrial Estate, Works 1 & 2	361.4		21/05/2027
Hoddesdon Energy Ltd	Hoddesdon Energy	332.7	27/02/2032	26/02/2050
Prime Life Ltd	Prime Life Care Home	302.4		21/11/2048
Pure Gym Ltd	Pure Gym	286.9	11/12/2027	10/12/2032
Volvo Car UK Ltd	Volvo Slough	281.1		16/03/2037
B&M Bargains	Droitwich Spa Retail Park	272.4		31/08/2029
Dore Metal Services Southern Ltd	Unit 2, Dolphin Park	261.8	13/09/2028	12/09/2033
Petrogas Group UK Ltd	Applegreen Petrol Station	255.9		16/07/2033
Meridian Steel Ltd	Grazebrook Industrial Estate, Works 1 & 2	241.3		21/05/2027
Biffa Waste Services Ltd	Pocket Nook Industrial Estate	203.1		24/02/2133
Sec. of State for Communities & Local Government	Pocket Nook Industrial Estate	199.9	30/01/2033	29/01/2048
MSG Life Realty Ltd	Snap Fitness	158.2		28/03/2033
BGEN Ltd	Pocket Nook Industrial Estate	145.0	05/04/2025	04/04/2027
Meridian Steel Ltd	Unit 14, Provincial Park	141.6		21/05/2027
YMCA Fairthorne Group	YMCA Nursery	129.5		17/02/2044
Pets at Home	Droitwich Spa Retail Park	112.5		13/01/2028
Biffa Waste Services Ltd	Pocket Nook Industrial Estate	111.3		31/03/2134
BGEN Ltd	Pocket Nook Industrial Estate	63.8	05/04/2024	04/04/2025
The Salvation Army Trustee Company	Duke House	27.2		17/07/2032
Jupiter Hotels Ltd	Mercure City Hotel (Conference Suite)	20.0		31/08/2036
Kingscrown Land & Commercial Ltd	Pocket Nook Industrial Estate	*		28/09/2045
Camberley Properties Ltd	Premier Inn	*		23/06/3010
Southern Electric Parcel Distribution Plc	Premier Inn	*		20/02/2111

Westlea Housing Association Ltd	Duke House	*	17/09/3006
Total		**7,692.2**	

* Ground rents less than £150 per annum.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

Environmental

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

Social

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

Governance

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

Diversity

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

Employees

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

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

Human Rights

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

Business Relationships

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

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

Greenhouse Gas Emissions

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

The Group has followed UK Government environmental reporting guidelines and used the UK Government 2023 greenhouse gas reporting conversion factors for company reporting to identify and report relevant GHG emissions over which it has Operational Control (where data is available) for the 12-month period to 30 June 2023.

An independent consultancy specialising in the application of sustainability in commercial real estate was appointed

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

Scopes

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

Scope 1 (not relevant to AIRE): Direct emissions from owned vehicles, controlled boilers and fugitive emissions from air conditioning systems under landlord control.
Scope 2: Indirect emissions from electricity purchased by the Company and consumed within real estate assets owned by the Company.
Scope 3: Indirect emissions from electricity and gas purchased/consumed within AIRE assets, by tenants, where the tenant is counterparty to the energy supply.

Statement of GHG emissions

The table below sets out the emissions per sector and for the Group overall in the year ended 30 June 2023. The approach taken follows guidance provided by the GHG Reporting Guidelines (BEIS, 2019) and EPRA Best Practice Recommendations of Sustainability Reporting 2017.

Sector	Scope	Absolute tonnes of carbon dioxide equivalent (tCO_2e)		Like-for-like comparison of carbon dioxide equivalent (tCO_2e)*	
		2022/23	2021/22	Difference (tCO_2e)	% change
Retail park	Scope 2	0.13	1.44	-1.31	-91%
Industrial warehouse	Scope 3 - Elec.	93.71	82.21	11.5	14%
Total	**Scope 2 & 3**	**93.84**	**83.65**	**10.19**	**12%**

*Like-for-like requires 24 months of data for the current and previous reporting year (July 2021 - June 2023). Both assets provided 24 months of data therefore like-for-like calculations were possible.

Statement of Energy Usage

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

Sector	Energy Source	Absolute energy usage (kWh)		Like-for-like energy usage (kWh)	
		2022/23	2021/22	Difference (kWh)	% change
Retail park	Electricity	646	7,454	-6,809	-91%
Industrial warehouse	Electricity	452,531	425,106	27,425	6%
Total	**Electricity**	**453,177**	**432,560**	**20,616**	**5%**

Intensity Ratios

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

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

Whilst no landlord meters reflect the above criteria for an intensity metric, the Group has applied an intensity figure for one asset, Pocket Nook, where the landlord procures the energy and directly recharges this to the tenant. An intensity metric has not been produced for Droitwich Spa retail park on the basis that the landlord-controlled meter does not reflect the above criteria (emissions reported relate to an indoor area).

No normalisation factors have been considered for this annual report.

Assurance Statement

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

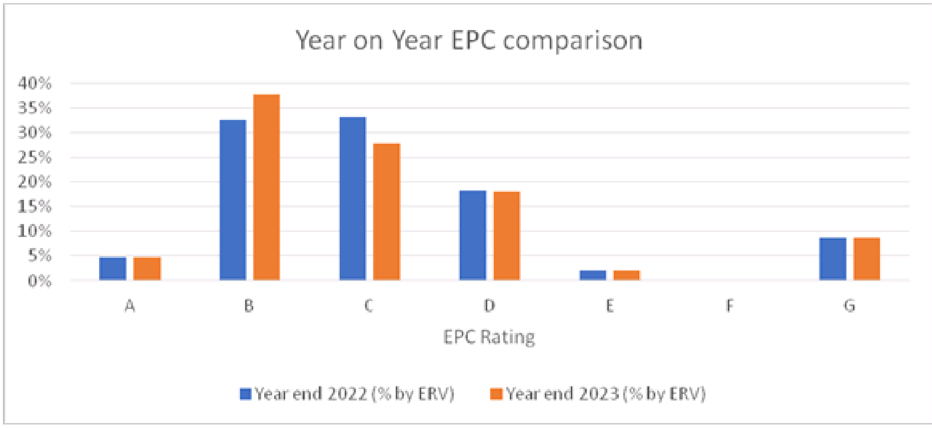
Property Portfolio ESG activity

During the year ended 30 June 2023, the Group has worked closely with its tenants to encourage and facilitate improvements in ESG activities within the property portfolio.

Two new EPCs have been carried out; Motorpoint, Birmingham improved from C75 to C62; Travelodge Hotel, Swindon improved from C62 to B42. These improvements are mainly as a result of tenant's internal refurbishment works.

Following inspections by EPC assessors, works have been identified at six properties to improve EPC levels in the year to 30 June 2024 including new LED lighting, replacement of an oil-fired boiler, solar panels and installation of secondary glazing. The costs of these enhancements will be borne by the occupiers.

Future projects are being developed with three other occupiers.



In the histogram above, the highest EPC rating of G applies to the Mercure Hotel, Glasgow. This property was sold subsequent to the year end. The remaining properties in the portfolio have an EPC rating of E or above with the majority, 72% based on the remaining 18 properties, falling within B and C.

SECTION 172(1) STATEMENT

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, in promoting the success of the Company for the benefit of members as a whole.

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

Stakeholder	**Issues of importance**	**Engagement**	**Effect of engagement on key decisions**
Shareholders The Group's investment objective is to deliver an attractive total return to shareholders. Shareholders are directly impacted by changes to the Company's NAV and thus the share price and dividends.	• Attractive and sustainable level of income, earnings and dividends. • Long-term income stream linked to inflationary growth. • Robust corporate governance structure and well-performing service providers. • Strategic direction of the Company. • Execution of investment objective. • Value for money - low ongoing charges.	• Shareholder engagement is set out in the Corporate Governance Report in the Annual Report. • As a publicly listed Company, the Company is subject to Listing Rules and other regulatory disclosure requirements which the Board abides by with the assistance of the Company Secretary and Corporate Broker.	The effect of shareholder engagement has fed into each aspect of the Board's decision-making. The total aggregate dividends for the year have increased compared to the prior year and the Board has also worked to keep expenses under control.
Service Providers As an externally managed REIT, the Company conducts all its business through its service providers, the key ones being the Investment Adviser, Property Manager, Company Secretary, AIFM, depositary and corporate broker.	• Reputation of the Company and maintaining high standards of business conduct. • Productive working relationships with the Company. • Fair and transparent service agreements. • Collaboration.	• Effective and consistent engagement both through formal Board meetings and regularly outside the meetings. • Annual evaluation of key service providers. • Culture set by the	Clear and effective strategic oversight and culture by the Board has been crucial to enhancing the effectiveness of the Company's key service providers. The Board has worked closely with its service providers to maintain and continually improve processes and to ensure that the Company's values are aligned with them.

		• Culture set by the Board and communicated to all providers.	
Tenants Tenants with strong business fundamentals and profitable operations are one of the key components to ensure a consistent income stream and ability to pay dividends to the Company's shareholders.	• Positive working relationship with the Board, Investment Adviser and Property Manager. • Rent reviews • Fair lease terms • Long-term strategy and alignment with the tenant's business operations. • Financial stability of tenants.	• To ensure the Investment Adviser and Property Manager generate and foster good relationships with the tenants. • Focus on asset management initiatives to assist the tenants where applicable.	There is regular contact between the Property Manager and all the Group's tenants. Rent reviews have all been completed on time and collection of rent at 100% is indicative of good tenant relations. Positive engagement is also reflected in the Investment Adviser's successful working with tenants for EPC and ESG improvements (see ESG report).
Debt provider The Group maintains a positive working relationship with its debt provider, Canada Life.	• Compliance with loan covenants. • Responsible portfolio management.	• Ongoing engagement by the Investment Adviser throughout the year and by the Board if required.	In addition to the Investment Adviser regular contact, the chairman engaged directly with Canada Life post year end to ensure good communications are established and obtained helpful lender feedback prior to the maturing of the loan in 2025.
Society and the environment As an investor in real estate, the Company's assets have an impact on the built environment. Environmental, Social and Governance ('ESG') factors increasingly apply alongside of financial returns.	• Responsible investing together with sustainability. • Long-term strategy to take account of ESG considerations without negatively impacting financial returns.	• Starting regular engagement with tenants in respect of EPC requirements. • Ensuring shareholder engagement covers ESG.	The Board has encouraged both the Investment Adviser and Property Manager to consider ESG on investment and on an ongoing basis.

Principal Decisions

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

Directorate Changes

During the year, the Board welcomed Simon Bennett as an independent non-executive director and chairman-designate on 10 November 2022, with the search process supported by an independent recruitment consultant. Following this on 30 November 2022, Alan Sippetts retired as an independent non-executive director with Simon Bennett succeeding him as chairman on the same date. In taking this decision, the Board considered that Simon Bennett's skills and experience were suitable for the role and would complement the skills and experience of the existing Board members.

Dividend and Dividend Policy

The dividend target of 5.70pps for the year ended 30 June 2023 was met. The Board also agreed to distribute to shareholders an extra 0.345pps in respect of non-rental income that had been received in the year. This brings the total dividends for the year to 6.045pps, an increase of 9.9% on the 5.50pps declared for the prior year.

As last year, the Board paid four interim dividends at quarterly intervals to ensure shareholders received a steady stream of income on a timely basis. However, this dividend policy prevents there being an opportunity for shareholders to vote on a final dividend. Consequently, the Board are again giving shareholders the opportunity to vote on the dividend policy of the Company.

Settlement of Litigation

The Group received £825,000 during the year, in full and final settlement of litigation to recover costs incurred on work to replace defective cladding on the Travelodge Hotel, Swindon. Please refer to Note 15.3 for further details. The Board were heavily involved in the litigation process and were focused on ensuring an outcome which was in the best interests of the Company, its shareholders and all stakeholders.

Property Transactions

On 8 August 2023 the Group completed the disposal of Mercure Hotel, Ingram Street, Glasgow to the occupier for £7.5 million, a £550,000 (7.9%) premium on the book value at 30 June 2023. The net proceeds from the sale will be reinvested. In consideration of the disposal of this property, the interests of shareholders had been taken into account by achieving a premium on the book value of the asset alongside providing the Company with cash to take advantage of beneficial opportunities for reinvestment.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Twice each year the Board, assisted by the Audit Committee, undertakes a risk review to assess the adequacy and effectiveness of the AIFM's, and where appropriate the Investment Adviser's, risk management and internal control systems. In addition, during the year the Audit Committee implemented improvements to the Company's approach to risk management, detail on this is provided in the Corporate Governance Report in the Annual Report.

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

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

PRINCIPAL RISKS AND THEIR POTENTIAL IMPACT	**HOW RISK IS MANAGED**	**RISK ASSESSMENT**
REAL ESTATE RISKS		
1. <u>Tenant default</u> Failure by tenants to comply with their rental obligations could affect the income that the properties earn and the ability of the Group to pay dividends to its shareholders. Macroeconomic trends discussed through the report, including rising interest rates, higher inflation and the possibility of recession have the ability to materially impact on a tenant's business. This could result in tenants being unable to comply with their rental obligations.	The investment policy limits the exposure to any one tenant to 15% of Gross Asset Value. The maximum exposure to any one tenant (calculated by GAV) is 10.8% at 30 June 2023. The Group benefits from a balanced portfolio with a diversified tenant base and is therefore not reliant on a single tenant or sector. In the due diligence process prior to acquiring a property, covenant checks are carried out on tenants which are repeated on a regular basis. The Investment Adviser and Property Manager conduct ongoing monitoring and liaison with tenants to manage potential bad debt risk.	**Probability:** Moderate to high **Impact:** High **Movement:** No change. However, the impact of different factors have changed the inflation/interest rate/cost pressures on tenants from the previous COVID/Market volatility pressures.
2. <u>Portfolio concentration</u> Any downturn in the UK and its economy or regulatory changes in the UK could have a material adverse effect on the Group's operations or financial condition. Greater concentration of investments in any sector or exposure to the creditworthiness of any one tenant or tenants may lead to greater volatility in the value of the Group's investments, NAV and the Company's share price.	The Group has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk. Having a diversified portfolio in respect of both sector and tenants provides reduced potential volatility in the portfolio and the impact rating for this risk is accordingly set at low to moderate.	**Probability:** Low to moderate **Impact:** Low to moderate **Movement:** No change
3. <u>Property defects</u> Due diligence may not identify all the risks and liabilities in respect of an acquisition (including any environmental, structural or operational defects) that may lead to a material adverse effect on the Group's profitability, the NAV and the Company's share price.	The Group's due diligence relies on the work (such as legal reports on title, property valuations, environmental, building surveys) outsourced to third parties that have appropriate Professional Indemnity cover in place.	**Probability:** Low to Moderate **Impact:** Moderate **Movement:** Probability decreased The Investment Adviser has comprehensive due diligence processes in place. In addition, the Investment Adviser now has an in depth knowledge of all the properties that were in portfolio on their appointment.
4. <u>Rate of inflation</u>	The inflation linked (RPI/CPI) leases in the portfolio have contractual rent	**Probability:** Moderate to High

Rent review provisions may have contractual limits to the increases that may be made as a result of the rate of inflation. If inflation is in excess of such contractual limits, the Group may not be able to deliver targeted returns to shareholders.	review collars, with the lowest floor being 0%, and caps that range from 3% to no cap. The majority of caps are in excess of RPI and CPI forecasts during the next five-year rent review cycle and therefore based on forecasts. The risk of inflation is somewhat mitigated by the leases that have no cap. In addition, a total of eight leases undergo reviews annually which will allow inflation changes to be reflected expeditiously.	**Impact:** Moderate **Movement:** Probability increased The rate of inflation has continued to increase significantly in the past year. This has increased the possibility of caps limiting the level of rent increases.
5. <u>Property market</u> Any recession or future deterioration in the property market could, inter alia, (i) lead to an increase in tenant defaults, (ii) make it difficult to attract new tenants for its properties, (iii) lead to a lack of finance available to the Group, (iv) cause the Group to realise its investments at lower valuations; and (v) delay the timings of the Group's realisations. Any of these factors could have a material adverse effect on the ability of the Group to achieve its investment objective.	The Group has investment restrictions in place to invest and manage its assets with the objective of spreading and mitigating risk. Most of the leases provide a relatively long unexpired term and contain upward only rent reviews which are linked to either RPI or CPI. Because of these factors, the Group expects that the assets will show less volatile valuation movement over the long term.	**Probability:** Moderate to high **Impact:** Moderate to high **Movement:** No change
6. <u>Property valuation</u> Property is inherently difficult to value due to the individual nature of each property. There may be an adverse effect on the Group's profitability, the NAV and the Company's share price in cases where properties are sold whose valuations have previously been materially overstated.	The Group uses an independent valuer (Knight Frank LLP) to value the properties on a quarterly basis at fair value in accordance with accepted RICS appraisal and valuation standards.	**Probability:** Low to moderate **Impact:** Moderate to high **Movement:** No change
7. <u>Investments are illiquid</u> The Group invests in commercial properties. Such investments are illiquid; they may be difficult for the Group to sell and the price achieved on any realisation may be at a discount to the prevailing valuation of the relevant property.	The Group aims to hold the properties for long-term income and all property investment / disinvestment is managed carefully to ensure there is no undue pressure on cash flow that would require a quick sale of assets. The Company's dividend is funded from net revenue and is not affected by the portfolio's (il)liquidity.	**Probability:** Low **Impact:** Moderate **Movement:** Probability decreased. Turnover in the portfolio is, and is expected to remain, limited; therefore, the probability of this risk materialising has been changed to low.
8. <u>Environment</u> The Group is subject to environmental regulations. In addition to regulatory risk, there is a growing importance being placed on ESG credentials by tenants, which could lead to difficulty in letting vacant space. Properties could be impacted by extreme environment events such as flooding. Climate change could accelerate more quickly leading to adverse physical impacts as well as regulatory change. Failure by the Group to meet current or future environmental targets could result in penalties, increased costs, a reduction in asset values and have an adverse effect on the Company's reputation, leading to loss of good quality tenants.	The current regulations require annual mandatory Green House Gas (GHG) reporting, which will be carried out as part of the annual report and will result in minimal expenditure for the Group. Furthermore, the Investment Adviser has prepared an ESG strategy to ensure it meets legal requirements and remains attractive to current and future tenants. Please see the 'Environmental, Social and Governance' section for further information. In depth research is undertaken on each property at acquisition. The Investment Adviser has adopted an environmental policy which it is in the process of applying to all properties within the portfolio.	**Probability:** Moderate **Impact:** Moderate **Movement:** No change

BORROWING RISKS		
9. <u>Breach of borrowing covenants</u> The Group has entered into a fixed term loan facility, maturing October 2025. Material adverse changes in valuations and net income may lead to breaches in the LTV and interest cover ratio covenants. If the Group is unable to operate within its debt covenants, this could lead to default and the loan facility being recalled. This could result in the Group being forced to sell properties to repay the loan facility, possibly resulting in a substantial fall in the NAV.	The Group monitors the borrowing covenants on a regular ongoing basis by cash flow forecasting, quarterly risk reports and a quarterly compliance certificate. The Group's gearing at 30 June 2023 was 36.8%, below the maximum gearing (on a GAV basis on drawdown) of 40% and materially below the covenant's default LTV of 60%. On the same date the Group's interest rate calculation (ICR) was 614.5%, materially above the covenant default ICR of 250%. Borrowing is carefully monitored by the Group, and action will be taken to conserve cash where necessary to ensure that this risk is mitigated. It is ensured that there is significant headroom in the LTV and interest cover covenants as part of the monitoring process. Diversification of both the portfolio and tenants limit the risk to the Group of any one geographic or sector property event and any one tenant default.	**Probability:** Low to moderate **Impact:** High **Movement:** Probability increased Increase is the result of: • the likelihood that future borrowings will be at a higher interest rate; • to reflect the volatility in interest rates compared to when the initial borrowings were negotiated; and • the decreasing timescale to the maturity of the current loan facility.
CORPORATE RISKS		
10. <u>Failure of service providers</u> The Group has no employees and is reliant upon the performance of third-party service providers. Failure by any service provider to carry out its obligations to the Group in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Group. Should the Group pursue litigation against service providers, there is a risk that the Company may incur costs that are irrecoverable if litigation is unsuccessful.	The Board meets regularly with, and monitors, all of its key service providers, including the Investment Adviser. The Management Engagement Committee (MEC) reviews annually the performance of key service providers in conjunction with their service level agreements, and makes use of Key Performance Indicators where relevant. In addition, the Audit Committee's robust and ongoing review of risk management and internal controls covers key service providers.	**Probability:** Low **Impact:** Moderate **Movement:** Probability and impact decreased Strengthening of the Board's oversight of its service providers (via the MEC and audit committee) which in turn has confirmed the continued strong performance of the Group's service providers.
11. <u>Dependence on the Investment Adviser</u> The future ability of the Group to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of the service providers to retain its existing staff and/or to recruit individuals of similar experience and calibre, and effectively carry out its services. The Group relies on the Investment Adviser to manage the assets and termination of the Investment Adviser agreement could severely affect the Group's ability to effectively manage its operations.	The MEC performs a formal annual review of the Investment Adviser which covers the performance of the portfolio (both capital and income returns) and the performance of and engagement with the M7's fund manager and other supporting staff. In addition, the Board meets regularly with M7 and directors engage with them not only in Board meetings but also by email, telephone and ad hoc meetings. This helps to maintain a good working relationship. The dependence on the M7 is managed through segregating the roles of AIFM and Investment Adviser.	**Probability:** Moderate **Impact:** Moderate **Movement:** No change
12. <u>Ability to meet objectives</u> The Group may not meet its investment objective to generate a secure and predictable income, that is sustainable in real terms, and at least maintain capital values in real	The Group has an investment policy to achieve a balanced portfolio with a diversified tenant base. This is reviewed by the Board at each scheduled Board meeting.	**Probability:** Moderate **Impact:** High **Movement:** Probability increased

least maintain capital values in real terms, from investing predominantly in a portfolio of smaller commercial properties in the UK. Poor relative total return performance may lead to an adverse reputational impact that affects the Group's ability to raise new capital and new funds. Inability to obtain new borrowings - of the amount required and at acceptable terms and rate(s) - on maturity of the current £41 million loan facility in 2025, will be detrimental to the dividend return for shareholders. Also disposal of several properties to repay borrowings.	The Group's property portfolio has a WAULT to break of 17.0 years and a WAULT to expiry of 18.9 years. Further, over 97.0% of leases have inflation-linked upwards only rent reviews, representing a secure income stream on which to deliver attractive total returns to shareholders. The maturity of the loan facility is a standing item on the Board agenda, and regular discussions are held with the Investment Adviser and other advisers to the Board concerning the make-up, amount etc of any additional or future borrowings.	The ability to ensure the real terms aspect of the objective will likely be impacted by refinancing being considerably more expensive than the current facility. And/or the possibility that the Group cannot obtain the required amount of £41 million borrowings from an acceptable lender on acceptable terms.
TAXATION RISK		
13. <u>Group REIT status</u> The Group has UK REIT status that provides a tax-efficient corporate structure. If the Group fails to remain a REIT for UK tax purposes, its profits and gains will be subject to UK corporation tax.	The Company monitors REIT compliance through the Investment Adviser and Administrator on acquisitions and disposals and distribution levels; the Registrar and Broker on shareholdings; and third-party tax advisers to monitor REIT compliance requirements. Processes are in place to ensure ongoing compliance with REIT regulations.	**Probability:** Low **Impact:** High **Movement:** No change
POLITICAL/ ECONOMIC RISK		
14. <u>Political and macroeconomic events.</u> Such events present risks to the real estate and financial markets that affect the Group and the business of the tenants. The negative economic effects from the deterioration of the global economy, higher inflation and interest rates, the ongoing long-term effects of the Russia-Ukraine war and secondary effects from COVID including supply constraints could impact the portfolio, tenants and the ability of the Group to raise capital.	The Group only invests in UK properties with strong alternative use values and long leases, so the portfolio is well positioned to withstand an economic downturn. Tenant default risk arising from political and macroeconomic events is managed as described above. The Investment Adviser monitors both the macro and micro economy with special attention to those factors potentially impacting the Group, and reports to the Board on a regular basis.	**Probability:** High **Impact:** High **Movement:** No change
REGULATORY RISK		
15. <u>Disclosure Risk</u> Failure to properly disclose information to investors or regulators in accordance with various disclosure rules and regulations. Examples include AIFMD investor disclosures, annual reporting requirements, marketing/promotion disclaimers, data protection regulations etc.	Service providers including AIFM, Investment Adviser, Company Secretary, auditor, and corporate broker monitor disclosure obligations and liaise with the Board to ensure requirements are met.	**Probability:** Low to moderate **Impact:** Moderate **Movement:** No change
16. <u>Regulatory Change</u> New regulations or changes to existing regulations (particularly in relation to climate change) could result in sub-optimal performance of the Group or, in worst case, inability to continue as a viable business.	The Board receives regular updates on relevant regulatory changes (and prospective changes) from its professional advisers. The Investment Adviser monitors the impact of emerging legislation across all aspects of property investment and ESG has a particularly high profile at this time. The Investment Adviser uses an ESG pre-acquisition checklist to review purchases and also to ensure that the current portfolio is monitored, and that works are carried out as appropriate, with	**Probability:** Low **Impact:** High **Movement:** No change

	carried out as appropriate, with tenant's agreement, to prevent asset depreciation.	

Emerging risks

The Board take account of and consider emerging risks as part of its risk management assessment.

GOING CONCERN

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

The Group's unrestricted cash balance at the year end was £3.5 million (2022: £2.5 million). The Group borrowings totalled £41 million under a loan facility repayable on 20 October 2025 (the 'Loan'). The Group is permitted to utilise up to 40% of GAV measured at drawdown with a Loan to GAV of 36.8% at 30 June 2023. Therefore, the Group had headroom against its borrowing covenant. The lender's loan to value covenant of 60% is significantly higher than the Group's Loan to GAV. Lastly, if agreed by the current lender, two properties not secured against the loan and valued at £8.73 million are available as additional security for the Loan.

The Loan also has a lender's interest cover covenant of 250%. At 30 June 2023 the Group's interest cover ratio was 614.50%, giving significant headroom. A 'severe but plausible downside' scenario has also been projected. While rent collections have been strong, this scenario projects rent deferrals and write-offs for tenants with difficulty paying rents from operational cash flows. In this scenario the Group still has adequate headroom against the interest cover covenant and positive cash balances. Further detail of the assumptions made in assessing the adaption of Group's going concern basis can be found in Note 2.4.

The Group benefits from a secure, diversified income stream from leases which are not overly reliant on any one tenant or sector. As a result, the directors believe that the Group is well placed to manage its financing and other business risks.

The Board is satisfied that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of these financial statements. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

VIABILITY STATEMENT

In accordance with provision 30 of the UK Code, the directors have assessed the prospects of the Group over a period longer than the 12 months required by the 'Going Concern' provisions.

The Board has considered the nature of the Group's assets and liabilities and associated cash flows and has determined that three years, up to 30 June 2026, is a realistic timescale over which the performance of the Group can be forecast with a degree of accuracy and so is an appropriate period over which to consider the Group's viability.

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

1. The current unexpired term under the Group's debt facilities stands at just over two years. The Board has no reason to believe that the Group cannot refinance its debt in October 2025.
2. The Group's property portfolio had a WAULT to break of 17.0 years and a WAULT to expiry of 18.9 years at 30 June 2023, representing a secure income stream for the period under consideration.
3. A major proportion of the leases contain an annual, three or five-year rent review pattern and therefore three years allow for the forecasts to include the reversion arising from most rent reviews.

The three-year review considers the Group's cash flows, future dividends and dividend cover, REIT compliance and relevant key financial ratios over the period. In assessing the Company's viability, the Board has carried out a thorough review of the Group's business model, including future performance, liquidity and banking covenant tests for a three-year period. The Board has assessed the extent of any operational disruption; potential curtailment of rental receipts; potential liquidity and working capital shortfalls; and diminished demand for the Group's assets going forward, in adopting a going concern preparation basis and in assessing the Group's longer-term viability.

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

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

Based on the prudent assumptions within the Group's forecasts regarding refinancing of the debt, rent deferrals, tenant default, void rates and property valuation movements, the directors expect that over the three-year period of their assessment:

- LTV covenants will not be breached - at 30 June 2023, the asset valuations and rental income of the properties secured to Canada Life would need to fall by 16.7% and 46.3% respectively before breaching the Loan to Value and Income Cover Cash Trap covenants;
- REIT tests are complied with; and
- That the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment.

Board Approval of the Strategic Report

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

Simon Bennett
Chairman
29 September 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with the UK adopted international accounting standards. The directors have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with Companies Act 2006 and in accordance with UK adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company, or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the parent Company and to prevent and detect fraud and other irregularities.

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

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

We confirm that to the best of our knowledge:

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

On behalf of the Board
Simon Bennett
Chairman
29 September 2023

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2023

	Notes	2023 £'000	2022 £'000
Income			
Rental and other income	3	8,660	7,901

Rental and other income	3	8,660	7,901
Property operating expense	4	(755)	(330)
Net rental and other income		**7,905**	**7,571**
Other operating expenses	4	(1,049)	(1,101)
Operating profit before fair value changes and gain on sale		**6,856**	**6,470**
Change in fair value of investment properties	10	(10,671)	8,023
Gain on disposal of investment property	10	-	96
Operating (loss)/ profit		**(3,815)**	**14,589**
Finance expenses	6	(1,425)	(1,423)
(Loss)/profit before tax		**(5,240)**	**13,166**
Taxation	7	-	-
(Loss)/ profit and total comprehensive (loss)/ income attributable to shareholders		**(5,240)**	**13,166**
(Loss per share)/ earnings per share (basic and diluted)	8	**(6.51p)**	**16.36p**
EPRA EPS (basic and diluted)	8	**6.75p**	**6.27p**
Adjusted EPS (basic and diluted)	8	**6.43p**	**5.57p**

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

The accompanying notes 1 to 21 form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position
As at 30 June 2023

		2023	**2022**
	Notes	**£'000**	**£'000**
Assets			
Non-current Assets			
Investment properties	10	103,847	115,124
Current Assets			
Receivables and prepayments	11	4,193	4,034
Cash and cash equivalents		3,484	2,542
		7,677	6,576
Total Assets		**111,524**	**121,700**
Non-current Liabilities			
Interest bearing loans and borrowings	13	(40,724)	(40,620)
Lease obligations	14	(266)	(299)
		(40,990)	**(40,919)**
Current Liabilities			
Payables and accrued expenses	12	(2,751)	(3,146)
Lease obligations	14	(33)	(36)
		(2,784)	(3,182)
Total Liabilities		**(43,774)**	**(44,101)**
Net Assets		**67,750**	**77,599**
Equity			
Share capital	17	805	805
Capital reserve		75,417	75,417
(Deficit)/ retained earnings		(8,472)	1,377
Total equity		**67,750**	**77,599**

Net Asset Value per share (basic and diluted)	8	**84.16p**	**96.40p**

The accompanying notes 1 to 21 form part of these Consolidated Financial Statements.

The Consolidated Financial Statements were approved by the Board of directors on 29 September 2023 and were signed on its behalf by:

Simon Bennett
Chairman
Company number: 10727886

Consolidated Statement of Changes in Equity
For the year ended 30 June 2023

	Notes	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
For the year ended 30 June 2023					
Balance at 30 June 2022		**805**	**75,417**	**1,377**	**77,599**
Total comprehensive loss attributable to shareholders		-	-	(5,240)	(5,240)
Dividends paid	9	-	-	(4,609)	(4,609)
Balance at 30 June 2023		**805**	**75,417**	**(8,472)**	**67,750**
For the year ended 30 June 2022					
Balance at 30 June 2021		805	75,417	(7,329)	68,893
Total comprehensive income attributable to shareholders		-	-	13,166	13,166
Dividends paid	9	-	-	(4,460)	(4,460)
Balance at 30 June 2022		**805**	**75,417**	**1,377**	**77,599**

The accompanying notes 1 to 21 form part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows
For the year ended 30 June 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
(Loss)/ profit before tax		(5,240)	13,166
Adjustment for:			
Finance expenses	6	1,425	1,423
Gain on disposal of investment property	10	-	(96)
Change in fair value of investment properties	10	10,671	(8,023)
Operating results before working capital changes		**6,856**	**6,470**
Change in working capital			
Increase in receivables and prepayments		(159)	(352)
(Decrease)/ increase in other payables and accrued expenses		(312)	100
Net cash flow generated from operating activities		**6,385**	**6,218**
Cash flows from investing activities			
Purchase of investment property	10	-	(5,375)
Net proceeds from disposal of investment property	10	-	5,396
Reduction in acquisition costs	10	606	-
Net cash generated from investing activities		**606**	**21**

Cash flows from financing activities

Cash flows from financing activities			
Finance costs paid		(1,321)	(1,319)
Dividends paid	9	(4,692)	(4,455)
Payment of lease obligation		(36)	(38)
Net cash used in financing activities		**(6,049)**	**(5,812)**
Net increase in cash and cash equivalents		942	427
Cash and cash equivalents at beginning of year		**2,542**	**2,115**
Cash and cash equivalents at end of year		**3,484**	**2,542**

The accompanying notes 1 to 21 form part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2023

1. Corporate Information

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

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

The nature of the Group's operations and its principal activities are set out in the Strategic Report of the Annual Report.

2. Accounting policies

2.1 Basis of preparation

These consolidated financial statements (the 'financial statements') are prepared and approved by the directors in accordance with International Financial Reporting Standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('EU') and in accordance with the Companies Act 2006 and Article 4 of the International Accounting Standards ('IAS') Regulations.

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

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

Basis of consolidation

The financial statements incorporate the financial statements of the Company and its subsidiaries (the 'Group').

Subsidiaries are the entities controlled by the Company, being Alternative Income Limited and Alternative Income REIT Holdco Limited.

New standards, amendments and interpretations, and forthcoming requirements

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 July 2022:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective 1 January 2023)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (effective 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective 1 January 2023)
- Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17) (effective 1 January 2023)

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

Certain new accounting standards and interpretations have been published that are not mandatory for annual periods beginning after 1 July 2022 and early application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements:

- Classification of liabilities as current or non-current (Amendments to IAS 1) (effective 1 January 2024)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (effective 1 January 2024)
- Non-current Liabilities with Covenants (Amendments to IAS 1) (effective 1 January 2024)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (effective date deferred indefinitely).

Forthcoming requirements

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

- Amendments to IAS 1 which clarifies the criteria used to determine whether liabilities are classified as current or non-current (effective 1 January 2023). These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.

2.2 Significant accounting judgements and estimates

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future. The estimates and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Valuation of investment properties

The fair value of investment properties 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. The Group's properties have been valued on an individual basis. The valuation experts use recognised valuation techniques, applying the principles of both IAS 40 and IFRS 13.

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 10.

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

Rent collection rates since the start of the Group are in the region of 100%. As a result, the Group does not have the data to establish historical loss rates for the expected credit loss analysis.

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

Principal versus agent considerations - services to tenants

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

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

REIT status

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

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

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

2.3 Segmental information

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

2.4 Going concern

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

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

The Investment Adviser on behalf of the Board has projected the Group's cash flows for the period up to 30 September 2024, challenging and sensitising inputs and assumptions to ensure that the cash forecast reflects a realistic outcome given the uncertainties associated with the current economic environment. The scenarios applied were designed to be severe but plausible, and to take account of the availability of mitigating actions that could be taken to avoid or reduce the impact or probability of the underlying risks.

The Group's debt of £41 million does not mature until 2025 and the Group has reported full compliance with its loan covenants to date. Based on cash flow projections, the directors expect the Group to continue to remain compliant. The headroom of the loan to value covenant is significant and any reduction in property values that would cause a breach would be significantly more than any reduction currently envisaged.

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

2.5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Functional and presentation currency

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

b) Revenue recognition

i) Rental income

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

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Lease modifications, such as lease extensions and rent reductions, are accounted for either as a separate lease or not a separate lease.

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

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

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

ii) Service charges and direct recharges

Revenue from service charges is recognised in the accounting period in which the service is rendered. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

iii) Deferred income

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

(iv) Dilapidation and lease surrender premium

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

c) Financing income and expenses

Financing income comprises interest receivable on funds invested. Financing expenses comprise interest and other costs incurred in connection with the borrowing of funds. Interest income and interest payable and other costs incurred in connection with the borrowing of funds. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method which is significantly the same as the contracted interest.

d) Investment property

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

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

Investment properties are valued by the external valuer. Any valuation of investment properties by the external valuer must be undertaken in accordance with the current issue of RICS Valuation - Professional Standards (the 'Red Book').

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

For the purposes of the financial statements, the assessed fair value is:

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

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

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

e) Cash and cash equivalents

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

f) Receivables and prepayments

Rent and other receivables are initially recognised at fair value and subsequently at amortised cost. Impairment provisions are recognised based on the process as described in note 2.2. Any adjustment is recognised in profit or loss as an impairment gain or loss.

g) Other payables and accrued expenses

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

h) Interest bearing loans and borrowings

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

i) Provisions

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

j) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable.

k) Share issue costs

The costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a deduction from equity.

l) Lease obligations

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

m) Taxes

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

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

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

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

n) European Public Real Estate Association

The Group has adopted the European Public Real Estate Association ('EPRA') best practice recommendations, which it expects to broaden the range of potential institutional investors able to invest in the Company's Ordinary Shares. For the year ended 30 June 2023, audited EPS and NAV calculations under EPRA's methodology are included in note 8 and further unaudited measures are included following the financial statements.

o) Capital and reserves

Share capital
Share capital is the nominal amount of the Company's Ordinary Shares in issue, and is non-distributable.

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

Retained earnings

Retained earnings represent the profits of the Group less dividends paid from revenue profits to date.

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

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

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

Fair value hierarchy:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, and consistent with EPRA's guidance, we have classified the valuations of the property portfolio as Level 3 as defined by IFRS 13. The inputs to the valuations are defined as 'unobservable' by IFRS 13 and these are analysed in note 10.

3. Rental and other income

	2023	2022

	2023 £'000	2022 £'000
Gross rental income	7,429	7,036
Spreading of minimum contracted future rent - indexation	423	541
Spreading of tenant incentives - rent free periods	(58)	(73)
Other property income	294	1
Gross rental income (adjusted)	**8,088**	**7,505**
Service charges and direct recharges (see note 4)	572	396
Total rental and other income	**8,660**	**7,901**

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

Other property income for the year ended 30 June 2023 mainly relates to the allocation to revenue of £219,000 arising from a settlement of the litigation in respect of replacement of defective cladding for Travelodge, Swindon. Further detail is provided in note 15.3.

4. Expenses

	2023 £'000	2022 £'000
Property operating expenses	177	136
Service charges and direct recharges (see note 3)	572	396
Provision/ (reversal) of provision for impairment of trade receivables	6	(202)
Property operating expenses	**755**	**330**
Investment adviser fee	371	368
Auditor's remuneration	87	63
Operating costs *	481	588
Directors' remuneration (note 5)	110	82
Other operating expenses	**1,049**	**1,101**
Total operating expenses	**1,804**	**1,431**
Total operating expenses (excluding service charges and direct recharges)	**1,232**	**1,035**

* Included in the operating costs for year ended 30 June 2022 is £1,250 of fees paid to Stephanie Eastment for due diligence incurred in advance of her appointment as a director.

	2023 £'000	2022 £'000
Audit		
Statutory audit of Annual Report and Accounts	76 *	53
Statutory audit of Subsidiary Accounts	11	10
Total fees due to auditor	**87**	**63**

*Include £6,000 fees relating to year ended 30 June 2022.

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

5. Directors' remuneration

	2023 £'000	2022 £'000
Directors' fees	99	75
Tax and social security	11	7
Total fees	**110**	**82**

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

The Group had no employees during the year.

6. Finance expenses

	2023 £'000	2022 £'000
Interest payable on loan (note 13)	1,307	1,307
Amortisation of finance costs (note 13)	104	104
Other finance costs	14	12
Total	**1,425**	**1,423**

7. Taxation

	2023 £'000	2022 £'000
Tax charge comprises:		
Analysis of tax charge in the year		

Analysis of tax charge in the year		
(Loss)/ profit before tax	**(5,240)**	**13,166**
Theoretical tax (refund)/ charge at UK corporation tax standard rate of 20.50% (2022: 19.00%)	(1,074)	2,502
Effects of tax-exempt items under the REIT regime	(1,074)	(2,502)
Total	**-**	**-**

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

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

8. (Loss per share)/ Earnings per share (EPS) and Net Asset Value (NAV) per share

	2023	2022
(Loss per share)/ EPS:		
Total comprehensive (loss)/income (£'000)	(5,240)	13,166
Weighted average number of shares (number)	80,500,000	80,500,000
(Loss per share)/ EPS (basic and diluted)	**(6.51p)**	**16.36p**
EPRA EPS (£'000):		
Total comprehensive (loss)/income	(5,240)	13,166
Adjustment to total comprehensive income:		
Change in fair value of investment properties	10,671	(8,023)
Gain on disposal of investment property	-	(96)
EPRA earnings (basic and diluted) (£'000)	**5,431**	**5,047**
EPRA EPS (basic and diluted)	**6.75p**	**6.27p**
Adjusted EPS:		
EPRA earnings (basic and diluted) (£'000) - as above	5,431	5,047
Adjustments (£'000):		
Rental income recognised in respect of guaranteed fixed rental uplifts (note 3)	(423)	(541)
Rental income recognised in respect of rent free periods (note 3)	58	73
Amortisation of loan finance costs (note 6)	104	104
Write-off of rent	16	4
Reversal of provision for impairment of trade receivables (note 4)	(10)	(202)
Adjusted earnings (basic and diluted) (£'000)	**5,176**	**4,485**
Adjusted EPS (basic and diluted) *	**6.43p**	**5.57p**

* 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.

	2023	2022
NAV per share:		
Net assets (£'000)	67,750	77,599
Ordinary Shares (Number)	80,500,000	80,500,000
NAV per share	**84.16p**	**96.40p**

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

	EPRA NRV	EPRA NTA and EPRA NDV
At 30 June 2023		
Net assets value (£'000)	67,750	67,750
Estimated purchasers' cost (£'000)	6,957	-
Break cost on bank borrowings (£'000)	-	-
	74,707	67,750
Ordinary Shares (Number)	80,500,000	80,500,000
Per share measure	**92.80p**	**84.16p**
At 30 June 2022		
Net assets value (£'000)	77,599	77,599
Estimated purchasers' cost (£'000)	7,664	-
Break cost on bank borrowings (£'000)	(486)	(486)
	84,777	77,113
Ordinary Shares (Number)	80,500,000	80,500,000
Per share measure	**105.31p**	**95.79p**

9. Dividends

All dividends were paid as PIDs	Quarter Ended	Rate	2023 £'000	2022 £'000
Dividends in respect of year ended 30 June				

2021				
4th dividend	30-Jun-21	1.640p	-	1,320
Dividends in respect of year ended 30 June 2022				
1st dividend	30-Sep-21	1.300p	-	1,047
2nd dividend	31-Dec-21	1.300p	-	1,046
3rd dividend	31-Mar-22	1.300p	-	1,047
4th dividend	30-Jun-22	1.600p	1,288	-
Dividends in respect of year ended 30 June 2023				
1st dividend	30-Sep-22	1.375p	1,107	-
2nd dividend	31-Dec-22	1.375p	1,107	-
3rd dividend	31-Mar-23	1.375p	1,107	-
Total dividends paid*			**4,609**	**4,460**
4th dividend	30-Jun-21	1.640p	-	(1,320)
4th dividend	30-Jun-22	1.600p	(1,288)	1,288
4th dividend**	30-Jun-23	1.920p	1,545	-
Total dividends payable in respect of the year			**4,866**	**4,428**
Total dividends per share payable in respect of the year			**6.045p**	**5.50p**

* Dividends paid per Consolidated Statement of Cash Flows amount to £4,692,000 (2022: £4,455,000), the difference between the amount disclosed above is due to withholding tax.
** Dividends declared after the year end are not included in the financial statements as a liability.

10. Investment properties

	2023 Freehold Investment properties £'000	2023 Leasehold Investment properties £'000	Total £'000	2022 Total £'000
At the beginning of the year	80,980	36,925	117,905	109,230
Acquisition during the year	-	-	-	5,375
Reduction in acquisition costs (note 15.3)	(606)	-	(606)	-
Disposal during the year	-	-	-	(5,300)
Change in value of investment properties	(6,549)	(3,725)	(10,274)	8,600
Valuation provided by Knight Frank LLP	**73,825**	**33,200**	**107,025**	**117,905**
Adjustment to fair value for minimum rent indexation of lease income (note 11)			(3,542)	(3,177)
Adjustment for lease obligations*			364	396
Total investment properties			**103,847**	**115,124**

Change in fair value of investment properties

Change in fair value before adjustments for lease incentives and lease obligations	(10,274)	8,600
Movement in lease obligations	(32)	(109)
Adjustment to spreading of contracted future rent indexation and tenant incentives	(365)	(468)
	(10,671)	**8,023**

There were no acquisitions nor disposals of properties in the year being reported. During 2022, the Group acquired the property known as Volvo, Slough and disposed of the investment property known as Audi, Huddersfield. The table below shows a reconciliation of the gain recognised on disposal through the Consolidated Statement of Comprehensive Income.

	2023 £'000	2022 £'000
Gross proceeds on disposal	-	5,500
Selling costs	-	(104)
Net proceeds on disposal	-	5,396
Carrying value	-	(5,300)
Gain on disposal of investment property	**-**	**96**

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

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

The right of use asset is valued at future lease payments discounted using the net equivalent yield on the relevant asset.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the fair value hierarchy
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

1) Estimated Rental Value ('ERV')
2) Net Initial Yield

Increases/(decreases) in the ERV (per sq. ft. per annum) in isolation would result in a higher/(lower) fair value measurement. Increases/(decreases) in the yield in isolation would result in a lower/(higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement, categorised within Level 3 of the fair value hierarchy of the portfolio of investment property and investments are:

Class	Fair value £'000	Valuation technique	Significant unobservable inputs	Range
30 June 2023				
		Income	ERV	£4.39 - £21.97
Investment Properties*	107,025	capitalisation	Net Initial yield	4.70% - 10.25%**
30 June 2022				
		Income	ERV	£4.00 - £21.96
Investment Properties*	117,905	capitalisation	Net Initial yield	4.65% - 9.16%**

* Valuation per Knight Frank LLP

**Hotels, petrol stations, residential & healthcare are excluded from this range

Sensitivity analysis below.

	2023			
	Change in ERV		Change in net initial yield	
	£'000	£'000	£'000	£'000
Sensitivity Analysis	**+10%**	**-10%**	**+10%**	**-10%**
Resulting fair value of investment properties	109,412	104,542	101,214	114,027

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

11. Receivables and prepayments

	2023 £'000	2022 £'000
Receivables		
Trade debtor	122	284
Less: Provision for impairment of trade receivables	(2)	(11)
Other debtors	326	244
	446	517
Spreading of minimum contracted future rent indexation	3,132	2,709
Spreading of tenant incentives - rent free periods	410	468
	3,542	3,177
Tenant deposit asset (note 12)	118	118
Other prepayments	87	222
	205	340
Total receivables and prepayments	**4,193**	**4,034**

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

	2023 £'000	2022 £'000
Less than 3 months due	464	515
Between 3 and 6 months due	(18)	2
Between 6 and 12 months due	-	-
	446	**517**

12. Payables and accrued expenses

	2023 £'000	2022 £'000

Deferred income	1,568	1,501
Trade creditors	24	51
Accruals	374	576
Tenant deposit liability (note 11)	118	118
Loan interest payable (note 13)	258	258
Other creditors	409	642
	2,751	**3,146**

13. Interest bearing loans and borrowings

	2023 £'000	2022 £'000
Facility drawn	**41,000**	**41,000**
Unamortised finance costs brought forward	(380)	(484)
Amortisation of finance costs	104	104
At end of year	**40,724**	**40,620**
Repayable between 1 and 2 years	-	-
Repayable between 2 and 5 years	41,000	41,000
Repayable in over 5 years	-	-
Total at end of the year	**41,000**	**41,000**

At 30 June 2023, the Group had utilised all of its £41 million fixed interest loan facility with Canada Life Investments and was geared at a loan to Gross Asset Value ('GAV') of 36.8% (2022: 33.7%). The weighted average interest cost of the Group's facility is 3.19% and the facility is repayable on 20 October 2025. Interest expense incurred during the year amounted to £1.31 million (2022: £1.31 million), £0.26 million was outstanding as at 30 June 2023 (2022: £0.26 million). The loan is secured against 17 properties in the Group's portfolio.

	2023 £'000	2022 £'000
Reconciliation to cash flows from financing activities		
At beginning of the year	40,620	40,516
Non-cash changes		
Amortisation of loan issue costs	104	104
Total at end of the year	**40,724**	**40,620**

14. Lease obligations

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

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

	2023 £'000	2022 £'000
Within 1 year	50	50
After 1 year but not more than 5 years	150	150
More than 5 years	463	513
Total undiscounted lease liabilities	**663**	**713**
Less: Future finance charge on lease obligations	(364)	(378)
Present value of lease liabilities	**299**	**335**
Lease liabilities included in the Consolidated Statement of Financial Position		
Current	33	36
Non-current	266	299
	299	**335**

15. Commitments

15.1. Operating lease commitments - as lessor

The Group has 19 commercial properties with 33 units on its investment property portfolio. These non-cancellable leases have a remaining term of between 10 months and 111 years (2022: 7 months to 112 years), excluding ground leases.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2023 are as follows:

	2023 £'000	2022 £'000
Within 1 year	7,179	7,071
After 1 year, but not more than 2 years	6,804	7,015
After 2 years, but not more than 3 years	6,548	6,754
After 3 years, but not more than 4 years	7,034	7,011
After 4 years, but not more than 5 years	6,416	7,045

After 5 years, but not more than 10 years	28,307	29,896
After 10 years, but not more than 15 years	24,085	25,935
More than fifteen years	50,689	55,472
	137,062	**146,199**

During the year ended 30 June 2023 there were no material contingent rents recognised as income (2022: £Nil).

15.2. Capital commitments
There were no capital commitments at 30 June 2023 (2022: none).

15.3. Financial commitments
In the 2022 Annual Report, it was disclosed that the Group was involved in litigation against two parties to recover £1.1 million of costs. The costs were incurred for work in the period September to December 2020 to replace defective cladding elements uncovered in the external walls of the top floors and rear lift core of the Travelodge Hotel, Swindon. The defective cladding was installed when the property was extended in 2007 and the Group's claims were against the architect and cladding sub-contractor involved. During the year, the Board engaged in mediation with both parties and agreed a full and final settlement of £825,000. Consequent to the resolution of that litigation, the Group have no financial commitments other than those arising from its normal business operations.

The settlement was in respect of the Group's costs to replace the defective cladding, which had been charged to capital, and in respect of the professional fees incurred by the Group to undertake the litigation, which had been charged to revenue. Accordingly, the settlement has been proportionally allocated £606,000 to capital, as a reduction in acquisition costs (see note 10), and £219,000 to revenue, as other property income (see note 3).

There are no other commitments other than those shown above at the year end (2022: same).

16. Investments in subsidiaries

The Company has two wholly owned subsidiaries as disclosed below:

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

* Ordinary shares of £1.00 each.

Alternative Income REIT Plc as at 30 June 2022 owns 100% of Alternative Income REIT Holdco Limited.

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

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

17. Issued share capital

	2023 £'000	2023 Number of Ordinary Shares	2022 £'000	2022 Number of Ordinary Shares
Ordinary Shares of £0.01 each issued and fully paid				
At the beginning and end of the year	**805**	**80,500,000**	**805**	**80,500,000**

18. Financial risk management and policies
The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and further risks inherent to investing in investment property. The Group has limited exposure to foreign currency risk as most of its transaction is in Sterling. The Group's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The principal risks facing the Group in the management of its portfolio follows.

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

The disciplined approach to the purchase, sale and asset management ensures that the value is maintained to its maximum potential. Prior to any property acquisition or sale, detailed research is undertaken to assess expected future cash flow. The Board and the Investment Adviser meet regularly and are responsible for recommending investment purchases or sales to the AIFM which makes the ultimate decision. In order to monitor property valuation fluctuations, the Investment Adviser meets with the independent external valuer on a regular basis. The valuer provides a property portfolio valuation quarterly, so any movements in the value can be accounted for in a timely manner and reflected in the NAV every quarter.

18.2 Real estate risk

Property investments are illiquid assets and can be difficult to sell, especially if local market conditions are poor. Illiquidity may also result from the absence of an established market for investments, as well as legal or contractual restrictions on resale of such investments.

There can be no certainty regarding the future performance of any of the properties acquired for the Group. The value of any property can go down as well as up.

Real property investments are subject to varying degrees of risk. The yields available from investments in real estate depend on the amount of income generated and expenses incurred from such investments.

There are additional risks in vacant, part vacant, redevelopment and refurbishment situations, although these are not prospective investments for the Group.

These aspects, and their effect on the Group from a going concern perspective are discussed in more detail in the Going Concern policy note.

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

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

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

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

	2023 £'000	2022 £'000
Debtors	448	528
Cash and cash equivalents	3,484	2,542
Total	**3,932**	**3,070**

18.4 Liquidity risk
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its borrowings. It is the risk the Group will encounter difficulty in meeting its financial obligations as they fall due as the majority of the Group's assets are investment properties and therefore not readily realisable. The Group's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by quarterly review/monitoring of forecast and actual cash flows by the Investment Adviser and Board.

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

2023	On demand £'000	< 3 months £'000	3 - 12 months £'000	1 - 5 years £'000	> 5 years £'000	Total £'000
Interest bearing loans and borrowings	-	-	-	41,000	-	41,000
Interest payable	-	327	980	1,959	-	3,266
Payables and accrued expenses	24	651	-	-	-	675
Lease obligations	-	13	38	200	413	664
Total	**24**	**991**	**1,018**	**43,159**	**413**	**45,605**

2022	On demand £'000	< 3 months £'000	3 - 12 months £'000	1 - 5 years £'000	> 5 years £'000	Total £'000
Interest bearing loans and borrowings	-	-	-	41,000	-	41,000
Interest payable	-	327	980	3,266	-	4,573
Payables and accrued expenses	134	863	-	-	-	997
Lease obligations	-	13	38	200	463	714
Total	**134**	**1,203**	**1,018**	**44,466**	**463**	**47,284**

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

18.6 Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is minimal because the Group's loan is at a fixed rate of 3.19% (note 13).

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

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

The monitoring of the Group's level of borrowing is performed primarily using a Loan to GAV ratio. The Loan to GAV ratio is an alternative performance measure and its calculation is shown below. The Group Loan to GAV ratio at the year end was 36.8% (2022: 33.7%).

Breaches in meeting the financial covenants would permit the lender to immediately call loans and borrowings. During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

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

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

Investment Adviser
M7 Real Estate Limited
M7 Real Estate Ltd was appointed as Investment Adviser on 14 May 2020. The Interim Investment Advisory agreement (amended with Deed of Variation dated 21 February 2021) specifies that from 1 October 2020, the annual management fee is calculated at a rate equivalent of 0.50% per annum of NAV (subject to a minimum fee of £90,000 per quarter), payable quarterly in advance, with no fee payable from 14 May to 30 September 2020. During the year ended 30 June 2023, the Group incurred £371,000 (2022: £368,000) in respect of investment advisory fees, none of which was outstanding at 30 June 2023 (2022: £98,000).

21. Events after reporting date

Dividend
On 3 August 2023, the Board approved the interim dividend for the quarter ended 30 June 2023 of 1.92pps. This was paid on 25 August 2023 to shareholders on the register at 11 August 2023. The ex-dividend date was 10 August 2023. The dividend was paid as a PID. Details are disclosed in the Chairman's Statement.

Sale of property
On 8 August 2023, the Group completed the disposal of Mercure Hotel, Ingram Street, Glasgow to the occupier for £7.5 million, a 7.9% premium on the book value at 30 June 2023. The net proceeds from the sale have been deposited to the lenders bank account and the Board intends to reinvest this as soon as practical.

Company Statement of Financial Position
As at 30 June 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current Assets			
Investments in subsidiary companies	2	73,158	73,158
Investment property	2	1,814	2,153
		74,972	**75,311**
Current Assets			
Receivables and prepayments	3	169	159
Cash and cash equivalents		525	66
		694	**225**
Total Assets		**75,666**	**75,536**
Current Liabilities			
Payables and accrued expenses	4	(8,979)	(13,035)
Net Assets		**66,687**	**62,501**
Equity			
Share capital	6	805	805
Capital reserve		75,417	75,417
Deficit		(9,535)	(13,721)
Total capital and reserves attributable to equity holders of the Company		**66,687**	**62,501**
Net Asset Value per share (pence per share)		**82.84p**	**77.64p**

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

The Company's profit for the year was £8,795,000 (2022: £8,141,000).

The financial statements were approved by the Board on 29 September 2023 and were signed on its behalf by:

Simon Bennett

Simon Bennett
Chairman

Company number: 10727886

The accompanying notes 1 to 8 form an integral part of these financial statements.

Company Statement of Changes in Equity
For the year ended 30 June 2023

	Share capital £'000	Capital reserve £'000	Deficit £'000	Total equity £'000
For the year ended 30 June 2023				
Balance at 30 June 2022	805	75,417	(13,721)	62,501
Total comprehensive income	-	-	8,795	8,795
Dividends paid	-	-	(4,609)	(4,609)
Balance at 30 June 2023	**805**	**75,417**	**(9,535)**	**66,687**
For the year ended 30 June 2022				
Balance at 30 June 2021	805	75,417	(17,402)	58,820
Total comprehensive income	-	-	8,141	8,141
Dividends paid	-	-	(4,460)	(4,460)
Balance at 30 June 2022	**805**	**75,417**	**(13,721)**	**62,501**

The accompanying notes 1 to 8 form an integral part of these financial statements.

Notes to the Company Financial Statements
for the year ended 30 June 2023

1. Accounting policies
Basis of preparation
These financial statements are prepared and approved by the directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated. They have been prepared on the historical cost basis.

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

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

The accounting policies used are otherwise consistent with those contained in the Company financial statements for the year ended 30 June 2022.

Going concern

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

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

Investments in subsidiary companies

Investments in subsidiary companies which are all 100% owned by the Company are included in the statement of financial position at cost less provision for impairment.

Impairment of non-financial assets

The carrying amounts of the Company's investment in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

2. Investments
2a. Investments in Subsidiary Companies

	2023	2022
	£'000	£'000
At the beginning and end of the year	73,158	73,158

A list of subsidiary undertakings at 30 June 2023 is included on note 16 of the Consolidated Financial Statements.

The directors have considered the recoverability of the investment in subsidiary companies by comparing the carrying value of the investment to the net asset value of the subsidiary. The directors consider the net asset value of the subsidiary to be a reliable proxy to the recoverable amount as the properties held by the Company are carried at fair value. The net asset value of the subsidiary company exceed the carrying amount of the investment in subsidiary and the directors have concluded that no impairment is necessary.

2b. Investment property

	2023	2022
	£'000	£'000
At the beginning of the year	2,153	2,067
Revaluation of investment property	(325)	100
Adjustment to fair value for minimum rent indexation of lease income	(14)	(14)
	1,814	**2,153**

3. Receivables and prepayments

	2023	2022
	£'000	£'000
Rent debtor	5	32
Spreading of contracted future - rent indexation	61	40
VAT receivable	72	59
	138	**131**
Other prepayments	31	28
	169	**159**

4. Payables and accrued expenses

	2023	2022
	£'000	£'000
Due to subsidiaries	8,644	12,427
Deferred income	30	30
Trade creditors	5	35
Accruals	300	459
Other creditors	-	84
	8,979	**13,035**

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

5. Dividends paid and payable

Details of dividends paid and payable in respect of the year are set out in note 9 of the consolidated financial statements.

6. Issued share capital

	2023		2022	
	£'000	Number of Ordinary Shares	£'000	Number of Ordinary Shares
Ordinary Shares of £0.01 each issued and fully paid				
At the beginning and end of the year	**805**	**80,500,000**	**805**	**80,500,000**

7. Contingent liabilities, capital commitments and related party transactions

As at 30 June 2023 the Company had £nil contingent liabilities or capital commitments (2022: £nil).

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

8. Events after reporting date

Events after the reporting date are the same as those disclosed in note 21 of the consolidated financial statements.

EPRA Performance Measures (Unaudited)

EPRA Yield calculations		**2023 £'000**	**2022 £'000**
Investment properties wholly owned:			
- by Company		1,875	2,200
- by Alternative Income Limited		105,150	115,705
Total - note 10		**107,025**	**117,905**
Allowance for estimated purchasers' costs - note 8		6,957	7,665
Gross up completed property portfolio valuation	B	**113,982**	**125,570**
Annualised cash passing rental income		7,560	7,217
Annualised property outgoings		(55)	(55)
Annualised net rents	A	**7,505**	**7,162**
Add: notional rent expiration of rent-free periods or other lease incentives		563	893
Topped-up net annualised rent	C	**8,068**	**8,055**
EPRA NIY	**A/B**	**6.58%**	**5.70%**
EPRA 'topped-up' NIY	**C/B**	**7.08%**	**6.41%**

EPRA Cost Ratios		**2023 £'000**	**2022 £'000**
Include:			
EPRA Costs (including direct vacancy costs) - note 4	A	1,232	1,035
Direct vacancy costs		-	-
EPRA Costs (excluding direct vacancy costs)	B	1,232	1,035
Gross rental income (adjusted) - note 3	C	8,088	7,505
EPRA Cost Ratio (including direct vacancy costs)	**A/C**	**15.23%**	**13.79%**
EPRA Cost Ratio (excluding direct vacancy costs)	**B/C**	**15.23%**	**13.79%**

EPRA Vacancy rate		**2023 £'000**	**2023 £'000**
Annualised potential rental value of vacant premises	A	-	-
Annualised potential rental value for the completed property portfolio	B	7,040	6,987
EPRA Vacancy rate	**A/B**	**0.00%**	**0.00%**

Alternative Performance Measures (APMs)

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.

Discount

The discount is the amount by which the share price is lower than the net asset value per share, expressed as a percentage of the net asset value per share.

		2023	**2022**
NAV per Ordinary Share	A	84.16p	96.40p
Share price	B	64.70p	82.10p
Discount	(A-B)/A	23.12%	14.83%

Dividend Cover

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

		2023	**2022**
Adjusted EPS	A	6.43p	5.57p
Dividend per share	B	6.045p	5.50p
Dividend cover	A/B	106.37%	101.27%

Dividend Yield

The ratio of Group's annual dividends per share divided by the Group's share price for the relevant year.

		2023	**2022**
Annual dividends paid	A	6.045p	5.50p

Annual dividends paid	A	[illegible]	[illegible]
Share price	B	64.70	82.10
Dividend yield	A/B	9.34%	6.70%

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.

		2023	**2022**
Borrowings (£'000)	A	41,000	41,000
Total assets (£'000)	B	111,524	121,700
Loan to GAV	A/B	36.76%	33.69%

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 year.

		2023	**2022**
Other operating expenses for the year (£'000)	A	1,049	1,101
One-off website costs (£'000) *	B	(40)	-
One-off legal fees (£'000) **	C	-	(64)
	D=A+B+C	1,009	1,037
Average net assets (£'000)	E	72,675	73,246
Ongoing charges ratio	D/E	1.39%	1.42%

* Non-recurring website set up costs have been excluded in the amount for the year presented.
**Non-recurring legal and professional costs have been excluded in the amount for the year presented.

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 30 June 2022	A	82.10	96.40p
Closing at 30 June 2023	B	64.70	84.16p
Return	C=(B/A)-1	(21.19%)	(12.69%)
Dividend reinvestment *	D	6.97%	5.97%
Total return for the year ended 30 June 2023	C+D	(14.22%)	(6.72%)
Opening at 30 June 2021	A	71.00	85.58p
Closing at 30 June 2022	B	82.10	96.40p
Return	C=(B/A)-1	15.63%	12.64%
Dividend reinvestment*	D	8.70%	9.88%
Total return for the year ended 30 June 2022	C+D	24.33%	22.52%

* 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.

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.

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.

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.
Gross Passing Rental Income	The gross passing rent is the rent roll at the reporting date, taking account of any in-place rent free incentives or step rents on a straight-line basis over the following 12-month period.
IASB	International Accounting Standards Board.
IFRS	International financial reporting standards. On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board.
Investment Adviser	M7 Real Estate Limited.
IPO	The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and admission of Ordinary Shares to the premium listing segment of the Official List on 6 June 2017.
Lease incentives	Incentives offered to occupiers to enter into a lease. Typically, this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules, the value of the lease incentive is amortised through the Consolidated Statement of Comprehensive Income on a straight-line basis until the lease expiry.
Loan to Value ('LTV')	The value of loans and borrowings utilised (excluding amounts held as restricted cash and before adjustments for issue costs) expressed as a percentage of the combined valuation of the property portfolio (as provided by the valuer) and the fair value of other investments.
Net Asset Value ('NAV')	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
Net Asset Value per share	Equity shareholders' funds divided by the number of Ordinary Shares in issue.
Net equivalent yield	Calculated by the Group's External Valuers, net equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent and items as voids and non-recoverable expenditure but ignoring future changes in capital value. The calculation assumes rent is received annually in arrears.
Net Initial Yield ('NIY')	The initial net rental income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase. Initial yield does not include cost 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.
REIT	A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation Tax Act 2010. Subject to the continuing relevant UK REIT criteria being met, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax.
Reversion	Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV.
Share price	The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.
Weighted Average Unexpired Lease Term ('WAULT')	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).

Company Information

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

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

Share Information

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

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

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

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

Financial Calendar 2023

30 June 2023	Year end
October 2023	Announcement of annual results
15 November 2023	Annual General Meeting
31 December 2023	Half year end
March 2024	Announcement of interim results

Shareholder Information

Directors
Simon Bennett (independent non-executive chairman)
Stephanie Eastment (independent non-executive director)
Adam Smith (non-executive director)

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

Registered Office
1 King William Street
London
EC4N 7AF

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

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

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

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

Investment Adviser and Administrator
M7 Real Estate Limited
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The Monument Building
11 Monument Street
London
EC3R 8AF

Property Manager
Mason Owen and Partners Limited
7th Floor

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Valuer
Knight Frank LLP
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Registrar
Computershare Investor Services PLC
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Auditor
Moore Kingston Smith LLP
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Corporate Broker
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Communications Adviser
H/Advisors Maitland
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