

The following amendment has been made to the 'Results for the half year ended 31 December 2023' announcement released on 27 February 2024 at 7.00am under RNS No 5237E.

Note 19 of the financial statements has been corrected to state that "on 8 February 2024, the Board declared an interim dividend of 1.425pps in respect of the period from 1 October 2023 to 31 December 2023." The date of the interim dividend declaration in the Post balance sheet highlights has also been corrected to 8 February 2024.

All other details remain unchanged.

The full amended text is shown below.

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27 February 2024

**Alternative Income REIT plc**

(the "Company" or the "Group")

**INTERIM REPORT AND FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023 (the "Period")**

**On track to deliver target annual dividend of at least 5.9 pence per share for the financial year ending 30 June 2024**

**Resilient portfolio well placed to continue to provide secure, index-linked income with the potential for capital growth**

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 rent reviews, is pleased to announce its interim report and financial statements for the half year ended 31 December 2023 (the Period).

**Simon Bennett, Non-Executive Chairman of Alternative Income REIT plc, comments:**

"The Group completed the disposal of its hotel in Glasgow, generating proceeds of £7.5 million in August 2023, representing a 7.9% premium to its fair value as at 30 June 2023, and in December 2023 we completed the acquisition of the Virgin Active in Ockley Road, Streatham for £5.5 million (gross of acquisition costs). The Group is looking into reinvesting the remaining proceeds in another property in Q1 2024.

The Board has set an annual dividend target of at least 5.9 pence per share<sup>A</sup> ("pps") for the year ending 30 June 2024 (year ended 30 June 2023: 5.7pps), which is expected to be fully covered, subject to the reinvestment of the Glasgow sale proceeds as anticipated and the continued collection of rent from the Group's property portfolio as it falls due.

The Group's contracted annualised rent grew by 2.9% in the Period predominantly because of the index-linked rent reviews in Birmingham, Salford, Sittingbourne, Brough and Solihull, and after taking account of the rent-free incentive period for Pets at Home in Droitwich. Nearly all the leases within the portfolio are index-linked (95.8%), with 35.9% of this rental income reviewed annually.

At 31 December 2023, the Group owned 19 properties valued at £103.3 million (30 June 2023: £107.0 million). On a like-for-like basis, the Company's property values decreased by £1.9 million or 1.9%. The largest falls in value were in the residential, leisure and retail warehouse sectors.

At 31 December 2023, the Group's unaudited Net Asset Value was £65.7 million, or 81.62pps (30 June 2023: £67.8 million, or 84.16pps), representing a 3.0% decrease over the Period. When combined with the two interim dividends paid in the Period of 3.35pps, this produced an unaudited NAV total return for the Period of 1.0%. Conversely, following a substantial narrowing of the discount, the share price increased substantially by 10.5% to 71.50pps and the share price total return for the Period was 15.7%.

The Group's portfolio is relatively insulated from market fluctuations, benefiting from being 100% let and with 100% collection of rent due. In addition, the Group benefits from low fixed borrowing costs. Combining these factors provides a secure and growing rental income stream.

The Board remains confident that the Company is well-positioned for the future, with a portfolio that continues to deliver secure, index-linked income and has the potential for capital growth as the property market recovers."

## Financial Highlights

### At 31 December 2023 (the "Period End")

	31 December 2023 (unaudited)	30 June 2023 (audited)	Change
Net Asset Value ('NAV')	£65.7 million	£67.8 million	- 3.0%
NAV per share	81.62p	84.16p	- 3.0%
Share price per share	71.50p	64.70p	+ 10.5%
Share price discount to NAV <sup>B</sup>	12.4%	23.1%	- 10.7%
Investment property fair value (based on external valuation)	£103.3 million <sup>D</sup>	£107.0 million <sup>D</sup>	- 3.5%
Loan to gross asset value ('GAV') <sup>B C</sup>	37.5%	36.8%	
Loan facility <sup>C</sup>	£41.0 million	£41.0 million	-

### For the half year ended 31 December (the "Period")

	2023 (unaudited)	2022 (unaudited)	Change
EPRA earnings per share ('EPS') <sup>B</sup>	2.75p	3.45p	- 20.3%
Adjusted EPS <sup>B</sup>	2.96p	3.35p	- 11.6%
Total dividends per share	2.85p	2.75p	+ 3.6%
Dividend cover <sup>B</sup>	103.9%	121.8%	-17.9%
Dividend yield (annualised) <sup>B</sup>	8.3%	8.3%	
Operating profit (including gain on sale of investment property but excluding fair value changes)	£3.5 million	£3.5 million	-
Profit/(loss) before tax	£0.6 million	(£7.3 million)	+ 108.8%
EPS/(loss per share)	0.80p	(9.08p)	+ 108.8%
Share price total return <sup>B</sup>	15.69%	(15.4%)	
NAV total return <sup>B</sup>	0.96%	(9.6%)	
Annualised gross passing rent	£7.7 million	£7.5 million	+ 2.7%
Ongoing charges (annualised) <sup>B</sup>	1.46%	1.42%	+ 4 bps

- The NAV decreased in aggregate by £2.1 million to £65.7 million, equivalent to 81.62pps as of 31 December 2023. The decrease was primarily due to the £1.9 million (1.9%) reduction in the fair value of the investment properties which were impacted by the upward yield movement seen across the wider UK real estate sector, driven primarily by increases in interest rates and inflation during the year.
- Dividends declared in respect of the Period totalled 2.85pps, a 3.6% increase compared to half year ended 31 December 2022 and in line with the Board's target annual dividend of at least 5.9pns <sup>A</sup> which is expected to be

December 2022 and in line with the Board's target annual dividend of at least 8.0pps<sup>A</sup>, which is expected to be fully covered. Dividends in respect of the Period were covered 103.9% by earnings.

- Dividend yield<sup>B</sup> of 8.3% is unchanged when compared to the prior Period reflecting the increase of both the dividend and the share price.
- The Company's share price of 71.5p at the Period end represents a 10.5% increase during the Period, reflecting the substantial narrowing of the Company's discount (to NAV) from 23.1% to 12.4%.
- EPS amounted to a profit of 0.80pps for the Period. The increase is largely due to a £7.9 million improvement in the fair value of the investment properties.
- The Group's loan matures in October 2025 and is fixed at a weighted average interest cost of 3.19%. Loan to GAV of 37.5% and interest cover ratio of 571% gives significant headroom on the lender's loan to value covenant of 60% and an interest cover covenant of 250%.

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

<sup>B</sup> Considered to be an Alternative Performance Measure. Further details can be found at the end of this section and full calculations are set out following the financial statements.

<sup>C</sup> The loan facility at 31 December 2023 of £41 million (30 June 2023: same) is with Canada Life Investments, matures on 20 October 2025 and has a weighted average interest cost of 3.19%.

<sup>D</sup> On a like-for-like basis, the fair value of the properties decreased by £1.9 million or 1.9% during the Period.

## Operational Highlights

### At the Group's Period End of 31 December 2023:

- The Group's property portfolio had a fair value of £103.3 million across 19 properties (30 June 2023: £107.0 million across 19 properties).
- Completion of the disposal of a hotel in Glasgow for £7.5 million in August 2023 at a 7.9% premium to its fair value.
- Acquisition of the Virgin Active in Ockley Road, Streatham for £5.5 million (gross of acquisition costs) in December 2023, the proceeds of which are expected to be reinvested in another property during Q1 2024.
- EPRA Net Initial Yield<sup>A</sup> ('NIY') reached 6.9% (30 June 2023: 6.6%).
- 95.8% of the Group's income is index-linked to the Retail Price Index ('RPI') or the Consumer Price Index ('CPI'); 35.9% is reviewed annually.
- The assets were 100% let at the Period End and throughout the Period.
- The weighted average unexpired lease term ('VAULT') at the Period End was 16.6 years to the earlier of break and expiry (30 June 2023: 17.0 years) and 18.5 years to expiry (30 June 2023: 18.9 years).

### Income and expense during the Period

- Rent recognised during the Period was £3.5 million (half year to 31 December 2022: £3.9 million), of which £0.2 million (31 December 2022: £0.3 million) related to accrued debtors for the combination of minimum uplifts and rent-free period. The slight decline in rent recognised is predominantly accounted for by the timing difference between the sale of the Glasgow hotel in August 2023 and the re-investment of part of the proceeds in Virgin Active in Streatham, which was completed in December 2023. The number of tenants at the half year was 22 (31 December 2022: 21).
- All of the rent due during the Period has been collected.
- The portfolio had annualised gross passing rent of £7.7 million across 19 properties (31 December 2022: £7.5 million across 19 properties).
- Ongoing charges (annualised) at the Period end was 1.46% a slight increase from the comparable prior period (31 December 2022: 1.42%).

## Post balance sheet highlights

- On 8 February 2024, the Board declared an interim dividend of 1.425pps in respect of the quarter ended 31 December 2023. This will be paid on 1 March 2024 to shareholders on the register at 16 February 2024. The ex-dividend date was 15 February 2024.
- As explained in the Chairman's Statement, the Board has undertaken a review of the Group's investment advisory arrangements. This review included proposals from select third party investment managers with the relevant property expertise. Following this, on 26 February 2024 the Board approved the appointment of Martley Capital Real Estate Investment Management Limited (Martley Capital) as the Group's Investment Adviser, subject to final regulatory approvals. The Martley Capital Group (of which Martley Capital is a subsidiary) launched in December 2023 as a new venture whereby key members of the current advisory team at M7 Real Estate will continue to service the Group as part of the Martley Capital team. The appointment of Martley Capital was by way of a deed of novation of the Group's investment advisory agreement (and subsequent minor changes thereto) leaving the parties on substantially the same terms and at an unchanged fee.
- In the next six-month period to 30 June 2024, 18.8% of the Group's income will be reviewed (four annual index-linked rent reviews and two periodic index-linked rent reviews (5 years since the previous reviews)).

## ENQUIRIES

### Alternative Income REIT plc

Simon Bennett - Chairman

via H/Advisors Maitland below

### M7 Real Estate Ltd

Richard Croft  
Jane Blore

+44 (0)20 3657 5500

### Panmure Gordon (UK) Limited

Alex Collins  
Tom Scrivens

+44 (0)20 7886 2500

### H/Advisors Maitland (Communications Adviser)

James Benjamin  
Rachel Cohen

+44(0) 7747 113 930

[Aire-maitland@h-advisors.global](mailto:Aire-maitland@h-advisors.global)

The Company's LEI is 213800MPBIJS12Q88F71.

Further information on Alternative Income REIT plc is available at [www.alternativeincomereit.com](http://www.alternativeincomereit.com) <sup>1</sup>

## NOTES

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

The Company's asset manager is M7 Real Estate Limited ("M7"). M7 is a leading specialist in the pan-European, regional, multi-tenanted real estate market. It has over 215 employees in 14 countries and territories. The team manages over 600 assets with a value of circa €6.9 billion (at 30 September 2023).

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

## Chairman's Statement

### Overview

I am pleased to present the unaudited half-yearly report of Alternative Income REIT plc (the Company) together with its subsidiaries (the Group) for the half year ended 31 December 2023.

During the period under review the Company's portfolio was not immune to the sector wide downward movement in valuations and for the half year ended 31 December 2023 the Group's net asset value fell by £2.1 million to £65.7 million (30 June 2023: £67.8 million). That said, our portfolio has shown some resilience as the valuation fall has, in the main not, been materially lower than the benchmark property indices and the Company's net asset

the main part, been materially lower than the benchmark property indices and the Company's peer group.

95.8% of the Group's portfolio benefits from index-linked rent reviews, 35.9% on an annual basis. Combining this with a strong balance sheet, modest overheads and low fixed borrowing costs until 2025, helps ensure that the Company is well positioned to ride-out the current economic storm and to continue to deliver attractive, secure and progressive income to our shareholders. The biggest risk factor for the Group remains tenant default, although the Group has an excellent record of rent collection in recent years.

## Portfolio Performance

The fair value of the Group's property portfolio amounted to £103.3 million across 19 properties (30 June 2023: £107.0 million across 19 properties). On a like for like basis, the Company's property values decreased by £1.9 million or 1.8% for the half year ended 31 December 2023. The portfolio had a net initial yield of 6.9% at 31 December 2023 (30 June 2023: 6.6%), and a WAULT to the first break of 16.6 years (30 June 2023: 17.0 years) and a WAULT to expiry of 18.5 years (30 June 2023: 18.9 years).

## Property Transactions

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 capital valuation at 30 June 2023. The disposal represented a 7.9% premium above the book value at 30 June 2023 and a net exit yield of 8.9%. The sale proceeds are being reinvested, firstly, through the acquisition of the Virgin Active in Ockley Road, Streatham for £5.5 million (gross of acquisition costs) with the transaction completed on 18 December 2023 and the Group is looking to reinvest the remaining proceeds in another property by the end of March 2024.

## Dividends & Earnings

The Company declared increased interim dividends totalling 2.85pps in respect of the half year ended 31 December 2023 (half year ended 31 December 2022: 2.75pps). Dividends declared for the Period are in line with the Board's target annual dividend of at least 5.9pps <sup>A</sup>, which is expected to be fully covered.

As set out in Note 8 to the Condensed Consolidated Financial Statements, these dividends were marginally uncovered by the Group's EPRA Earnings <sup>B</sup> of 2.75pps (31 December 2022: 3.45pps), but were well covered by the Group's Adjusted EPS <sup>B</sup> (representing cash) of 2.96pps (31 December 2022: 3.35pps). All dividends were paid as Property Income Distributions.

## Financing

At 31 December 2023, the Group had fully utilised its £41 million loan facility with Canada Life Investments. The weighted average interest cost of the Group's facility is 3.19% and the loan is repayable on 20 October 2025.

## Discount

The discount of the Company's share price to NAV at 31 December 2023 reduced to 12.4% from 23.1% at 30 June 2023. The Board monitored the discount level throughout the Period and has the requisite authority from shareholders to both issue and buy back shares.

## Change of Investment Adviser

The Board has undertaken a review of the Group's investment advisory arrangements. This review included proposals from select third party investment managers with the relevant property expertise. Following this, on 26 February 2024 the Board approved the appointment of Martley Capital Real Estate Investment Management Limited (Martley Capital) as the Group's Investment Adviser, subject to final regulatory approvals. The Martley Capital Group (of which Martley Capital is a subsidiary) launched in December 2023 as a new venture whereby key members of the current advisory team at M7 Real Estate will continue to service the Group as part of the Martley Capital team. The appointment of Martley Capital was by way of a deed of novation of the Group's investment advisory agreement (and subsequent minor changes thereto) leaving the parties on substantially the same terms and at an unchanged fee.

Since their appointment to the role in May 2020, M7 have played a valuable supporting role as the Company has undergone significant transition from its original Investment Manager and Board who led the IPO in 2017. The current

undergone significant transition from its original investment manager and Board who led the IPO in 2017. The current Board of Directors wishes to express its gratitude to M7 for their service to the Company and look forward to working with Martley Capital.

## Environmental, Social and Governance ("ESG")

The Board recognises the importance of ESG to sustainable investment and to the wider business and investor community. In order to meet these expectations, the Group's Investment Adviser has adopted strategies to maintain a conscientious approach to ESG in respect of the Group's property portfolio. During 2023, the Group focused on sustainability and following consultations with its occupiers, 11 EPCs have been improved from their previous levels. The Board will continue to maintain its focus on this area and will continue to seek opportunities to reduce the Group's carbon footprint.

## Future Growth and 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 Board has set an annual dividend target of at least 5.9 pence per share<sup>A</sup> ("pps") for the year ending 30 June 2024 (year ended 30 June 2023: 5.7pps), which is expected to be fully covered, subject to the reinvestment of the Glasgow sale proceeds as anticipated and the continued collection of rent from the Group's property portfolio as it falls due. During the next 6 months until the end of the financial year, approximately 18.8% of the Group's income will be subject to rent reviews, 15.7% as annual index-linked rent reviews and the remaining 3.1% being periodic five-yearly index-linked rent reviews.

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

**Simon  
Bennett  
Chairman**  
26 February 2024

## Key Performance Indicators ('KPIs')

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE
<b>1. Net Initial Yield ('NIY')<sup>B</sup></b> 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.	<b>6.94%</b> at 31 December 2023 (30 June 2023: 6.58%; 31 December 2022: 6.47%)
<b>2. Weighted Average Unexpired Lease Term ('WAULT') to break and expiry</b> 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.	<b>16.6 years to break and 18.5 years to expiry</b> at 31 December 2023 (30 June 2023: 17.0 years to break and 18.9 years to expiry; 31 December 2022: 17.0 years to break and 18.8 years to expiry)
<b>3. Net Asset Value ('NAV') per share<sup>1</sup></b> NAV is the value of an entity's assets minus the value of its liabilities.	Provides stakeholders with the most relevant information on the fair value of the assets and liabilities of the Group.	<b>£65.70million/ 81.62pps</b> at 31 December 2023 (30 June 2023: £67.75 million, 84.16pps and 31 December 2022: £67.90 million, 84.34pps)
<b>4. Dividend per share</b>	The Group's target dividend	<b>5.9 pps</b>

<b>4. Dividend per share</b> Dividends declared in relation to the period are in line with the stated dividend target as set out in the Prospectus at IPO. The Board's intention is to ensure an increasing dividend in line with the Company's Investment Objective. A target dividend for the year ended 30 June 2024 has been set at 5.9 pence per Ordinary Share.	The Group seeks to deliver a sustainable income stream from its portfolio, which it distributes as dividends.	<b>2.85pps</b> for the half year ended 31 December 2023  (year ended 30 June 2023: 6.045pps; half year ended 31 December 2022: 2.75pps)
<b>5. Adjusted EPS<sup>B</sup></b> 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 Condensed Consolidated Financial Statements.	This reflects the Group's ability to generate earnings from the portfolio which underpins dividends.	<b>2.96pps</b> for the half year ended 31 December 2023  (year ended 30 June 2023: 6.43pps; half year to 31 December 2022: 3.35pps)
<b>6. Leverage (Loan-to-GAV)<sup>B</sup></b> 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).	<b>37.49%</b> at 31 December 2023  (30 June 2023: 36.76% and 31 December 2022: 36.78%)

<sup>B</sup> Considered to be an Alternative Performance Measure. Further details can be found at the end of this section and full calculations are set out following the financial statements.

## EPRA Performance Measures

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

MEASURE AND DEFINITION	PURPOSE	PERFORMANCE
<b>EPRA NIY<sup>1</sup></b> 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.	<b>6.94%</b> at 31 December 2023  (30 June 2023: 6.58% and 31 December 2022: 6.47%)
<b>EPRA 'Topped-Up' NIY<sup>1</sup></b> 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.	<b>7.31%</b> at 31 December 2023 (30 June 2023: 7.08% and 31 December 2022: 7.08%)
<b>EPRA NAV<sup>2</sup></b> 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.	<b>£65.70million/ 81.62pps</b> at 31 December 2023  (30 June 2023: £67.75million, 84.16pps and 31 December 2022: 67.90 million, 84.34pps)
<b>EPRA Net Reinstatement Value<sup>2</sup></b> 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.	<b>£72.42 million/ 89.96pps</b> EPRA NRV for the half year ended 31 December 2023  (30 June 2023: £74.71 million/92.80pps and 31 December 2022: £74.88 million/93.02pps)

<b>EPRA Net Tangible Assets <sup>2</sup></b> The EPRA NTA deducts the break cost of bank borrowings from the EPRA NAV.  As break costs were nil at the period end, the EPRA NTA is the same as 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.	<b>£65.70million/ 81.62pps</b> EPRA NTA for the half year ended 31 December 2023  (30 June 2023: £67.75 million/84.16pps and 31 December 2022: £67.90 million/84.34pps)
<b>EPRA Net Disposal Value <sup>2</sup></b> 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.	<b>£65.70million/ 81.62pps</b> EPRA NDV for the half year ended 31 December 2023  (30 June 2023: £67.75 million/84.16pps and 31 December 2022: £67.90 million/84.34pps)
<b>EPRA Earnings/EPS <sup>2</sup></b> 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.	<b>£2.21 million/ 2.75pps</b> EPRA earnings for the half year ended 31 December 2023  (30 June 2023: £5.43 million/ 6.75pps and 31 December 2022: £2.78 million/3.45pps)
<b>EPRA Vacancy <sup>1</sup></b> 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.	<b>0.00%</b> EPRA vacancy as at 31 December 2023  (30 June 2023: 0.00% and 31 December 2022: 0.00%)
<b>EPRA Cost Ratio <sup>1</sup></b> 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.	<b>16.35%</b> EPRA Cost Ratio as at 31 December 2023. The ratio is the same both including and excluding the vacancy costs.  (30 June 2023: 15.23% and 31 December 2022: 15.17%)

<sup>1</sup> The reconciliation of this APM is set out in the EPRA Performance Measures Calculations section following the Notes to the Condensed Consolidated Financial Statements.

<sup>2</sup> The reconciliation of this APM is set out in Note 8 of the Notes to the Condensed Consolidated Financial Statements.

## Investment Adviser's Report

### Market Outlook

#### *UK Economic Outlook*

Despite lingering inflation concerns, the UK economic outlook has cautiously brightened since June, with interest rate stability replacing rapid hikes and energy prices easing, offering hope for a moderate, inflation-dampened recovery.

The August 2023 Bank of England base rate increase to 5.25% was the 14<sup>th</sup> consecutive hike in as many Monetary Policy Committee meetings and took rates to a 15-year high with a cumulative interest rate rise of 5.15%. This represents the fastest and largest rise in rates since the late 1980s and is a response to the fastest and largest rise in inflation since the early 1980s. The outlook for 2024 is unclear, as the Bank of England attempts to navigate both high inflation and a potential recession, with decisions further influenced by global currents in the background. Financial markets anticipate a potential trajectory towards cuts in the latter half, potentially reaching as low as 4% by year-end, while the Bank of England itself has adopted a cautious approach, opting not to commit to a specific timeline, but emphasising the likelihood of sustained high rates "for a prolonged period". The impact on commercial property of this rapid change in the interest rate environment is considered further below.

Some consider the UK to have narrowly avoided recession in 2023 based on the third quarter data, particularly the International Monetary Fund (IMF) and the Office for Budget Responsibility (OBR). Others, including the Bank of England, remain more cautious and emphasise the need to wait for the fourth quarter data before reaching a definitive conclusion.

As of 1 January 2024, the UK energy price cap rose by 5% to £1,928 per year. However, this still marks a significant drop from the October 2022 cap that would have been almost £1,600 higher. While bills remain roughly 51% higher than winter 2021/22 levels, there's cautious optimism due to falling wholesale prices, with predictions of a £100 drop in the price cap later this year. After peaking at 191.5p/litre in July 2022, UK petrol prices plummeted to a low of 143.6p/litre in August 2023, only to climb back to around 158p/litre by January 2024, still 10% above pre-pandemic levels. Overall, the UK's energy price landscape remains fluid, balancing recent decreases with ongoing concerns about future affordability.

The principal risks to the UK economy appear to be from continued high inflation, which while trending downwards, could still dent consumer confidence and business investment. After plunging 2.2% in the first half of 2023, UK disposable income eked out a modest 0.3% gain in the second half, offering a glimmer of hope amidst ongoing cost-of-living pressures. The Bank of England's latest inflation forecasts for 2024 offer further hope, predicting a dramatic decline from the 11.1% peak in October 2022 and estimate inflation will slide to 3.0% by Q1 2025, and even further to 2.3% by Q1 2026.

#### *UK Real Estate Outlook*

The year 2024 unfolds with a challenging economic backdrop, casting a shadow over the UK's commercial property landscape. The initial ripples of rising inflation and interest rates have disturbed the investment market, particularly impacting income returns and asset values. While the occupier market remains less immediately affected, it too will eventually feel the unwelcome embrace of any potential recession. In the investment arena, lower rental growth expectations and the shift towards income-driven returns have put pressure on yields, especially in sectors like industrials and warehouses. This has translated into reduced value and return for property investors, particularly those burdened with debt facing increased servicing costs.

While 2023 offered glimpses of stabilisation, 2024 promises a more active transformation for the UK's commercial property market, guided by CBRE's insightful 2024 outlook. The key conclusions of which included:

- **Narrowing Yield Gaps:** The abnormally widespread between property yields and government bonds, a hangover from post-crisis quantitative easing, will tighten this year. CBRE predicts a measured market, prioritising capital preservation and secure income.
- **Income Reigns Supreme:** The pursuit of capital growth takes a back seat as investors shift focus towards maximising rental income. Skilful asset management, optimising rental streams, will become a key differentiator for success.
- **Portfolio Realignment:** As other asset classes shift performance, expect institutions to strategically adjust their holdings. CBRE foresees a dynamic year of portfolio rebalancing, driven by a search for optimal risk-adjusted returns.
- **A Calmer Deal Flow:** Transaction volumes are expected to decline, reflecting a cautious market. However, this slowdown's impact will be muted for established portfolios, which should offer relative stability amidst the changing tide.
- **Debt Market Resilience:** Despite lower asset values, CBRE maintains that the UK real estate market, currently less leveraged than in 2008, will demonstrate continued debt market resilience. However, refinancing will present challenges for some, potentially leading to forced sales, particularly for highly leveraged investors or those holding sub-prime assets.

2023's first half saw UK real estate take a rough tumble, whilst the second half witnessed a softer landing. Capital values across all sectors dipped 3.9%, led by a 9% plunge in industrial and warehouse sectors due to dampened rental growth expectations. Retail found some footing, while offices continued to face downward pressure. London bucked the trend with more subdued declines, while Northern England felt the bite most acutely. As 2024 dawns, the market hangs in a delicate balance, stabilised but still wary of the headwinds blowing from the challenging economic environment.

In our opinion, as a further consideration, we see no let-up in the value placed by both occupiers and investors on assets and portfolios meeting sustainability criteria, as global warming is increasingly being seen to impact upon our climate. Furthermore, more mandatory disclosure requirements are to be introduced in the UK and high energy prices will incentivise investment by reducing the payback period of energy saving measures.

While UK REITs took a tumble in 2022, they are now showing signs of bouncing back. Since October 2023, the FTSE 350 REIT index, a key marker for the sector, has climbed roughly 10%. This upswing likely stems from easing interest rates, improving rental growth in specific sectors, and cautious optimism that the economic slump might be nearing its end. Investors will be considering that improvements in listed property prices may act as an indicator of change in market traded values.

### Portfolio Activity

The following asset management initiatives were undertaken during the Period:

- Rent Reviews: A total of five rent reviews took place during the Period with a combined uplift of £197,401 representing an average of 8.87% growth in contracted rent across those properties affected and 2.90% across the portfolio, on a like-for-like basis.
- Negotiations are in progress with many of the tenants including Meridian Steel, Hoddesdon Energy, Dore Metals and BGEN in respect of lease regears and renewals. The Company, worked with occupiers, to improve the environmental sustainability of the portfolio and carried out three EPCs, improving the weighted average for the fund to C52 at no capital cost to the Company.

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

- The rent review for the care home in Bristol was completed at £473,906 per annum reflecting an increase of 4%.

### NAV Movements

	Half year ended 31 December 2023		Half year ended 31 December 2022		Year ended 30 June 2023	
	Pence per share	£ million	Pence per share	£ million	Pence per share	£ million
NAV at beginning of period/ year	84.16	67.75	96.40	77.60	96.40	77.60
Change in fair value of investment property	(2.70)	(2.17)	(12.53)	(10.09)	(13.26)	(10.67)
Income earned for the period/year	4.64	3.73	5.41	4.36	10.76	8.66
Gain on sale of property	0.75	0.60	-	-	-	-
Finance costs for the period/year	(0.88)	(0.71)	(0.88)	(0.71)	(1.77)	(1.43)
Other expenses for the period/year	(1.01)	(0.81)	(1.08)	(0.86)	(2.24)	(1.80)
Dividends paid during the period/year	(3.34)	(2.69)	(2.98)	(2.40)	(5.73)	(4.61)
<b>NAV at the end of the year</b>	<b>81.62</b>	<b>65.70</b>	<b>84.34</b>	<b>67.90</b>	<b>84.16</b>	<b>67.75</b>

### Valuation

At 31 December 2023 the Group owned 19 assets (30 June 2023: 19 assets) valued at £103.3 million at 31 December 2023 (30 June 2023: £107.0 million).

### Summary by Sector at 31 December 2023

Ann

Sector	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)
Industrial	4	24.6	23.8	100.0	22.8

Hotel	2	13.0	12.6	100.0	13.5
Healthcare	3	17.6	17.0	100.0	25.0
Automotive & Petroleum	3	14.9	14.4	100.0	12.5
Student Accommodation	1	11.4	11.1	100.0	17.6
Leisure	3	10.3	10.0	100.0	8.5
Power Station	1	4.6	4.5	100.0	8.2
Retail	1	5.0	4.8	100.0	5.2
Education	1	1.9	1.8	100.0	20.1
<b>Total/Average</b>	<b>19</b>	<b>103.3</b>	<b>100.0</b>	<b>100.0</b>	<b>16.6</b>

*Summary by Geographical Area at 31 December 2023*

Geographical Area	Number of Properties	Valuation (£m)	Market Value (%)	Occupancy by ERV (%)	WAULT to break (years)	Annualised gross passing rent (£'000)
West Midlands	4	25.5	24.7	100.0	11.4	
The North West & Merseyside	2	22.7	21.9	100.0	33.3	
Rest of South East	5	21.7	21.0	100.0	9.7	
South West	2	12.4	12.0	100.0	22.4	
Yorkshire and the Humber	2	6.1	5.9	100.0	18.2	
London	3	10.3	10.0	100.0	8.5	
Eastern	1	4.6	4.5	100.0	8.2	
<b>Total/Average</b>	<b>19</b>	<b>103.3</b>	<b>100.0</b>	<b>100.00</b>	<b>16.6</b>	

**Top Ten Occupiers at 31 December 2023**

Tenant	Property	Annualised gross passing rent (£'000)	% of Portfolio Total Annualised gross passing rental
Mears Group Plc	Bramall Court, Salford	793	10.4%
Prime Life Ltd	Prime Life Care Home, Brough and Solihull	754	9.9%
Meridian Steel Ltd	Grazebrook Industrial Estate, Dudley and Sheffield	744	9.7%
Motorpoint Ltd	Motorpoint, Birmingham	568	7.4%
Virgin Active	Virgin Active, Streatham	536	7.0%
Premier Inn Hotels Ltd	Premier Inn, Camberley	504	6.6%
Handsale Ltd	Silver Trees, Bristol	456	6.0%
Travelodge Hotels Ltd	Duke House, Swindon	403	5.3%
Hoddesdon Energy Ltd	Hoddesdon Energy, Hoddesdon	333	4.3%
Biffa Waste Services Ltd	Pocket Nook Industrial Estate, St Helens	314	4.1%
<b>Top Ten Total</b>		<b>5,405</b>	<b>70.7%</b>

**Lease Expiry Portfolio at 31 December 2023 - to the earlier of break or lease expiry**

Year	Expiring passing rent pa (£'000)	Cumulative (£'000)
2024	64	64
2025	145	209
2026	-	209
2027	1,031	1,240
2028	420	1,660
2029	272	1,932
2030	-	1,932
2031	-	1,932
2032	863	2,795
2033	614	3,409
2034	536	3,946
2035	-	3,946
2036	-	3,946
2037	849	4,795
2038	-	4,795
2039+	2,850	7,645

## **Interim Management Report and Directors' Responsibility Statement**

### **Interim Management Report**

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

The principal risks and uncertainties of the Company are set out in the Annual Report and Financial Statements for the year ended 30 June 2023 (the '2023 Annual Report') on pages 24 to 30 and in Note 18. Having reviewed these, the Board has separated out the risk that refinancing of the Company's loan could not be achieved at acceptable terms and rates. This enhanced the clarity of the risk register and reflects the Board's due consideration of this item. Notwithstanding this, the Board considers the Company's principal risks to be unchanged at the period end, with the Board's perception of heightened uncertainty for many factors (for example: changes to interest rates, inflation and costs, and a probable recession in the UK) remaining.

Risks faced by the Company include, but are not limited to, tenant default, portfolio concentration, property defects, the rate of inflation, the property market, property valuation, illiquid investments, environment, breach of borrowing covenants, failure of service providers, dependence on the Investment Adviser, ability to meet objectives (including the inability to obtain new borrowings on acceptable terms and rates), Group REIT status, political and macroeconomic events, disclosure risk, and regulatory change (including in relation to climate change). The Board takes account of emerging risks, including climate change, as part of its risk management assessment.

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

### **Related Party Transactions**

There have been no changes to the related parties shown in Note 20 of the 2023 Annual Report that could have a material effect on the financial position or performance of the Company or Group. Amounts payable to the Investment Adviser in the six months being reported are shown in the unaudited Condensed Consolidated Statement of Comprehensive Income.

### **Going Concern**

This report has been prepared on a going concern basis. Note 2 sets out the Board's considerations in coming to this conclusion.

### **Directors' Responsibility Statement**

The Directors confirm that to the best of our knowledge:

- the condensed consolidated set of financial statements has been prepared in accordance with the UK-adopted IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by:
  - a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining half of the year; and
  - b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the 2023 Annual Report that could do so.

As at the date of this report the Directors of the Company are Simon Bennett, Stephanie Eastment and Adam Smith all of whom are non-executive Directors.

**For and on behalf of the Board**  
**Simon Bennett**  
**Chairman**  
26 February 2024

## Condensed Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2023

		Half year ended 31 December 2023 (unaudited) £'000	Half year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
	Notes			
<b>Income</b>				
Rental and other income	3	3,735	4,350	8,660
Property operating expense	4	(302)	(357)	(755)
<b>Net rental and other income</b>		<b>3,433</b>	<b>3,993</b>	<b>7,905</b>
Other operating expenses	4	(510)	(499)	(1,049)
<b>Operating profit before fair value change and gain on sale</b>		<b>2,923</b>	<b>3,494</b>	<b>6,856</b>
Change in fair value of investment properties	10	(2,169)	(10,088)	(10,671)
Gain on disposal of investment property	10	598	-	-
<b>Operating profit/ (loss)</b>		<b>1,352</b>	<b>(6,594)</b>	<b>(3,815)</b>
Finance expenses	6	(709)	(714)	(1,425)
<b>Profit/ (loss) before tax</b>		<b>643</b>	<b>(7,308)</b>	<b>(5,240)</b>
Taxation	7	-	-	-
<b>Profit/ (loss) and total comprehensive income/ (loss) attributable to shareholders</b>		<b>643</b>	<b>(7,308)</b>	<b>(5,240)</b>
<b>Earnings/ (loss) per share (basic and diluted)</b>	8	<b>0.80p</b>	<b>(9.08p)</b>	<b>(6.51p)</b>
<b>EPRA EPS (basic and diluted)</b>	8	<b>2.75p</b>	<b>3.45p</b>	<b>6.75p</b>
<b>Adjusted EPS (basic and diluted)</b>	8	<b>2.96p</b>	<b>3.35p</b>	<b>6.43p</b>

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

The accompanying notes 1 to 19 form an integral part of these Condensed Consolidated Financial Statements.

## Condensed Consolidated Statement of Financial Position

For the half year ended 31 December 2023

		As at 31 December 2023 (unaudited) £'000	As at 31 December 2022 (unaudited) £'000	As at 30 June 2023 (audited) £'000
	Notes			
<b>Assets</b>				
<b>Non-current Assets</b>				
Investment properties	10	99,896	104,430	103,847
<b>Current Assets</b>				
Receivables and prepayments	11	6,603	4,185	4,193
Cash and cash equivalents		2,877	2,854	3,484
		<b>9,480</b>	<b>7,039</b>	<b>7,677</b>
<b>Total Assets</b>		<b>109,376</b>	<b>111,469</b>	<b>111,524</b>
<b>Liabilities</b>				
<b>Non-current Liabilities</b>				
Interest bearing loans and borrowings	13	(40,776)	(40,672)	(40,724)
Lease obligations	14	-	(282)	(266)
		<b>(40,776)</b>	<b>(40,954)</b>	<b>(40,990)</b>
<b>Current Liabilities</b>				
Payables and accrued expenses	12	(2,900)	(2,585)	(2,751)
Lease obligations	14	-	(34)	(33)
		<b>(2,900)</b>	<b>(2,619)</b>	<b>(2,784)</b>

<b>Total Liabilities</b>		<b>(43,676)</b>	<b>(43,573)</b>	<b>(43,774)</b>
<b>Net Assets</b>		<b>65,700</b>	<b>67,896</b>	<b>67,750</b>
<b>Equity</b>				
Share capital	17	805	805	805
Capital reserve		75,417	75,417	75,417
Retained deficit		(10,522)	(8,326)	(8,472)
<b>Total Equity</b>		<b>65,700</b>	<b>67,896</b>	<b>67,750</b>
<b>Net Asset Value per share (basic and diluted)</b>	8	<b>81.62p</b>	<b>84.34p</b>	<b>84.16p</b>

The accompanying notes 1 to 19 form part of these Condensed Consolidated Financial Statements.

The Condensed Consolidated Financial Statements were approved by the Board of Directors on 26 February 2024 and were signed on its behalf by:

**Simon Bennett**  
Chairman

Company number: 10727886

### Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2023

	Notes	Share capital £'000	Capital reserve £'000	Retained deficit £'000	Total equity £'000
<b>For the half year ended 31 December 2023 (unaudited)</b>					
Balance at 30 June 2023		805	75,417	(8,472)	67,750
Total comprehensive income		-	-	643	643
Dividends paid	9	-	-	(2,693)	(2,693)
<b>Balance at 31 December 2023</b>		<b>805</b>	<b>75,417</b>	<b>(10,522)</b>	<b>65,700</b>
<b>For the half year ended 31 December 2022 (unaudited)</b>					
Balance at 30 June 2022		805	75,417	1,377	77,599
Total comprehensive loss		-	-	(7,308)	(7,308)
Dividends paid	9	-	-	(2,395)	(2,395)
<b>Balance at 31 December 2022</b>		<b>805</b>	<b>75,417</b>	<b>(8,326)</b>	<b>67,896</b>
<b>For the year ended 30 June 2022 (audited)</b>					
Balance at 30 June 2022		805	75,417	1,377	77,599
Total comprehensive loss		-	-	(5,240)	(5,240)
Dividends declared	9	-	-	(4,609)	(4,609)
<b>Balance at 30 June 2023</b>		<b>805</b>	<b>75,417</b>	<b>(8,472)</b>	<b>67,750</b>

The accompanying notes 1 to 19 form an integral part of these Condensed Consolidated Financial Statements.

### Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2023

	Half year ended 31 December 2023	Half year ended 31 December 2022	Year ended 30 June 2022
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	Notes	2023 (unaudited) £'000	2022 (unaudited) £'000	2023 (audited) £'000
<b>Cash flows from operating activities</b>				
Profit/(loss) before tax		643	(7,308)	(5,240)
<b>Adjustment for:</b>				
Finance expenses	6	709	714	1,425
Gain on disposal of investment property	10	(598)	-	-
Change in fair value of investment properties	10	2,169	10,088	10,671
<b>Operating results before working capital changes</b>		<b>2,923</b>	<b>3,494</b>	<b>6,856</b>
<b>Change in working capital</b>				
Increase in other receivables and prepayments		(2,410)	(151)	(159)
Increase/(decrease) in other payables and accrued expenses		149	(561)	(312)
<b>Net cash generated from operating activities</b>		<b>662</b>	<b>2,782</b>	<b>6,385</b>
<b>Cash flows from investing activities</b>				
Purchase of investment property	10	(5,304)	-	-
Disposal of investment property	10	7,382	-	-
Reduction in acquisition costs	10	-	606	606
<b>Net cash generated from investing activities</b>		<b>2,078</b>	<b>606</b>	<b>606</b>
<b>Cash flows from financing activities</b>				
Finance costs paid		(654)	(662)	(1,321)
Dividends paid	9	(2,693)	(2,395)	(4,692)
Payment of lease obligations		-	(19)	(36)
<b>Net cash used in financing activities</b>		<b>(3,347)</b>	<b>(3,076)</b>	<b>(6,049)</b>
Net (decrease)/increase in cash and cash equivalents		(607)	312	942
Cash and cash equivalents at beginning of period/year		3,484	2,542	2,542
<b>Cash and cash equivalents at end of period/year</b>		<b>2,877</b>	<b>2,854</b>	<b>3,484</b>

The accompanying notes 1 to 19 form an integral part of these Condensed Consolidated Financial Statements.

## Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 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 located at 1 King William Street, London, United Kingdom, EC4N 7AF.

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

### 2. Accounting policies

#### 2.1 Basis of preparation

These condensed consolidated interim financial statements for the half year ended 31 December 2023 have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting'. These do not include all the information required for annual financial statements, and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended 30 June 2023 (the '2023 Annual Financial Report').

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

The financial information in this report does not constitute statutory accounts within the meaning of section 434-436 of the Companies Act 2006, and has not been audited nor reviewed by the Company's auditor. The financial information for the year ended 30 June 2023 has been extracted from the published accounts that have been delivered to the Registrar of Companies, and the report of the auditor was unqualified and did not contain a

statement under section 498(2) or (3) of the Companies Act 2006.

#### **Basis of consolidation**

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

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

#### **New standards, amendments and interpretations**

##### Standards effective from 1 July 2023

- ☐ Certain new accounting standards and interpretations have been published that are not mandatory for annual periods beginning after 1 July 2023 and early application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated 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 2024). These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.

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

## **2.2 Significant accounting judgements and estimates**

The condensed consolidated financial statements have been prepared on the basis of the accounting policies, significant judgements, estimates and key assumptions as set out in the notes to the 2023 Annual Financial Report, and are expected to be applied consistently for the year ending 30 June 2024.

No changes have been made to the Group's accounting policies as a result of the amendments and interpretations which became effective in the period as they do not have a material impact on the Group. Full details can be found in the 2023 Annual Financial Report.

## **2.3 Segmental information**

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

## **2.4 Going concern**

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

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 Investment Adviser on behalf of the Board has projected the Group's cash flows for the period up to 31 March 2025, 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. A longer-term projection covering the period to 30 June 2027 had also been carried out to ascertain the impact of the refinancing and future leasing assumptions on the Group's cash flow. The scenarios applied were designed to be severe but plausible, and to take account of the availability of mitigating actions that could be taken to avoid or reduce the impact or probability of the underlying risks.

The Group's debt of £41m does not mature until 2025 and the Group has reported full compliance with its loan

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

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

### 3. Rental and other income

	Half year ended 31 December 2023 (unaudited) £'000	Half year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Gross rental income	3,691	3,696	7,429
Spreading of minimum contracted future rent-indexation	(138)	209	423
Spreading of tenant incentives - rent free periods	(61)	(49)	(58)
Other property income	2	223	294
<b>Gross rental income (adjusted)</b>	<b>3,494</b>	<b>4079</b>	<b>8,088</b>
Service charges and direct recharges (see note 4)	241	271	572
<b>Total rental and other income</b>	<b>3,735</b>	<b>4,350</b>	<b>8,660</b>

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

Other property income for the half year to 31 December 2022 and the year to 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. Operating expenses

	Half year ended 31 December 2023 (unaudited) £'000	Half year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Property operating expenses	61	80	177
Service charges and direct recharges (note 3)	241	271	572
Provision for impairment of trade receivables	-	6	6
<b>Property operating expenses</b>	<b>302</b>	<b>357</b>	<b>755</b>
Investment advisory fee	180	191	371
Auditor's remuneration	41	43	87
Operating costs	233	210	481
Directors' remuneration (note 5)	56	55	110
<b>Other operating expenses</b>	<b>510</b>	<b>499</b>	<b>1,049</b>
<b>Total operating expenses</b>	<b>812</b>	<b>856</b>	<b>1,804</b>
<b>Total operating expenses (excluding service charges and direct recharges)</b>	<b>571</b>	<b>585</b>	<b>1,232</b>

	Half year ended 31 December 2023 (unaudited) £'000	Half year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
<b>Audit</b>			
Statutory audit of Annual Report and Accounts	36	38	76*
Statutory audit of Subsidiary Accounts	5	5	11
<b>Total fees due to auditor</b>	<b>41</b>	<b>43</b>	<b>87</b>

\*Includes £6,000 fees relating to fiscal year ended 30 June 2022.

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

### 5. Directors' remuneration

### 5. Directors remuneration

	Half year ended 31 December 2023 (unaudited) £'000	Half year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Directors' fees	51	50	99
Tax and social security	5	5	11
<b>Total directors' remuneration</b>	<b>56</b>	<b>55</b>	<b>110</b>

The Group had no employees during the period/ year.

### 6. Finance expenses

	Half year ended 31 December 2023 (unaudited) £'000	Half year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Interest payable on loan (note 13)	653	653	1,307
Amortisation of finance costs (note 13)	52	52	104
Other finance costs	4	9	14
<b>Total</b>	<b>709</b>	<b>714</b>	<b>1,425</b>

### 7. Taxation

	Half year ended 31 December 2023 (unaudited) £'000	Half year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
<b>Tax charge comprises:</b>			
<b>Analysis of tax charge in the period/ year</b>			
Profit/(loss) before tax	643	(7,308)	(5,240)
Theoretical tax charge/(refund) at UK corporation average tax rate of 25% (31 December 2022 and 30 June 2023: 20.50%)	161	(1,498)	(1,074)
Effects of tax-exempt items under REIT regime	(161)	1,498	1,074
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### Factors that may affect future tax charges

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

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

	Half year ended 31 December 2023 (unaudited)	Half year ended 31 December 2022 (unaudited)	Year ended 30 June 2023 (audited)
<b>Earnings/ (loss) per share*</b>			
Total comprehensive income/(loss) (£'000)	643	(7,308)	(5,240)
Weighted average number of shares (number)	80,500,000	80,500,000	80,500,000
<b>Earnings/ (loss) per share (basic and diluted)</b>	<b>0.80p</b>	<b>(9.08p)</b>	<b>(6.51p)</b>

### EPRA EPS (£'000):

Total comprehensive income/(loss)	643	(7,308)	(5,240)
Adjustment to total comprehensive			

Adjustment to total comprehensive income/(loss):

Change in fair value of investment properties	2,169	10,088	10,671
Gain on disposal of investment property	(598)	-	-
<b>EPRA earnings (basic and diluted) (£'000)</b>	<b>2,214</b>	<b>2,780</b>	<b>5,431</b>
<b>EPRA EPS (basic and diluted)</b>	<b>2.75p</b>	<b>3.45p</b>	<b>6.75p</b>

**Adjusted EPS:**

EPRA earnings (basic and diluted) (£'000) - as above	2,214	2,780	5,431
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**Adjustments:**

Rental income recognised in respect of guaranteed fixed rental uplifts (£'000)	52	(209)	(423)
Rental income recognised in respect of rent free periods (£'000) (Note 3)	61	49	58
Amortisation of finance costs (£'000) (Note 6)	52	52	104
Write-off of receivables	-	16	16
Provision/(reversal of provision) for impairment of trade receivables (Note 4)	-	6	(10)
<b>Adjusted earnings (basic and diluted) (£'000)</b>	<b>2,379</b>	<b>2,694</b>	<b>5,176</b>
<b>Adjusted EPS (basic and diluted)**</b>	<b>2.96p</b>	<b>3.35p</b>	<b>6.43p</b>

\*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/(loss) per share are calculated by dividing profit/(loss) for the period/year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period/year.

	<b>31 December 2023 (unaudited)</b>	<b>31 December 2022 (unaudited)</b>	<b>30 June 2023 (audited)</b>
<b>NAV per share:</b>			
Net assets (£'000)	65,700	67,896	67,750
Ordinary Shares (Number)	80,500,000	80,500,000	80,500,000
<b>NAV per share</b>	<b>81.62p</b>	<b>84.34p</b>	<b>84.16p</b>

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

	<b>EPRA NRV</b>	<b>EPRA NTA and EPRA NDV</b>
<b>At 31 December 2023</b>		
Net assets value (£'000)	65,700	65,700
Purchasers' cost (£'000)	6,716	-
Break cost on bank borrowings (£'000)	-	-
	<b>72,416</b>	<b>65,700</b>
Ordinary Shares (Number)	80,500,000	80,500,000
<b>Per share measure</b>	<b>89.96p</b>	<b>81.62p</b>
<b>At 31 December 2022</b>		
Net assets value (£'000)	67,896	67,896
Purchasers' cost (£'000)	6,983	-
Break cost on bank borrowings (£'000)	-	-
	<b>74,879</b>	<b>67,896</b>
Ordinary Shares (Number)	80,500,000	80,500,000
<b>Per share measure</b>	<b>93.02p</b>	<b>84.34p</b>
<b>At 30 June 2023</b>		
Net assets value (£'000)	67,750	67,750
Purchasers' cost (£'000)	6,957	-
Break cost on bank borrowings (£'000)	-	-
	<b>74,707</b>	<b>67,750</b>
Ordinary Shares (Number)	80,500,000	80,500,000
<b>Per share measure</b>	<b>92.80p</b>	<b>84.16p</b>

## 9. Dividends

All dividends were paid as Property Income Distributions.

		Half year ended 31 December 2023 (unaudited)	Half year ended 31 December 2022 (unaudited)	Year ended 30 June 2023 (audited)
Quarter Ended	Dividend Rate	£'000	£'000	£'000
<b>Dividends in respect of year ended 30 June 2022</b>				
4th dividend	30-Jun-22	1.600p	-	1,288
<b>Dividends in respect of year ended 30 June 2023</b>				
1st dividend	30-Sep-22	1.375p	-	1,107
2 <sup>nd</sup> dividend	31-Dec-22	1.375p	-	1,107
3 <sup>rd</sup> dividend	31-Mar-23	1.375p	-	1,107
4 <sup>th</sup> dividend	30-Jun-23	1.920p	1,545	-
<b>Dividends in respect of year ending 30 June 2024</b>				
1st dividend	30-Sep-23	1.425p	1,148	-
Total dividends paid		2,693	2,395	4,609
4th dividend for quarter ended	30-Jun-22	1.600p	-	(1,288)
2nd dividend for quarter ended	31-Dec-22	1.375p	-	1,107
4th dividend for quarter ended	30-Jun-23	1.920p	(1,545)	-
2nd dividend for quarter ended	31-Dec-23	1.425p	1,146	-
Total dividends payable in respect of the period/year		2,294	2,214	4,866
Total dividends payable in respect of the period/year		2.85p	2.75p	6.045p

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

The difference between the amount disclosed above and dividends paid as shown in the Condensed Consolidated Statement of Cash Flows for year ended 30 June 2023 relates to withholding tax.

## 10. Investment properties

	Freehold Investment Properties £'000	Leasehold Investment Properties £'000	Half year ended 31 December 2023 (unaudited) Total £'000	Half year ended 31 December 2022 (unaudited) Total £'000	Year ended 30 June 2023 (audited) Total £'000
<b>UK Investment properties</b>					
At the beginning of the period/year	73,825	33,200	107,025	117,905	117,905
Acquisitions during the period/year	5,304	-	5,304	-	-
Reduction in acquisition costs (note 15.3)	-	-	-	(606)	(606)
Disposals during the period/year	(6,784)	-	(6,784)	-	-
Change in fair value of investment properties	(1,245)	(975)	(2,220)	(9,874)	(10,274)
Valuation provided by Knight Frank LLP	<b>71,100</b>	<b>32,225</b>	<b>103,325</b>	<b>107,425</b>	<b>107,025</b>
Adjustment to fair value for minimum rent indexation of lease income (note 10)			(3,429)	(3,367)	(3,542)
Adjustment for lease obligation			-	372	364
<b>Total investment properties</b>			<b>99,896</b>	<b>104,430</b>	<b>103,847</b>
<b>Change in fair value of investment properties</b>					
Change in fair value before adjustments for lease incentives and lease obligations			(2,220)	(9,874)	(10,274)
Movement in lease obligations			(62)	(24)	(32)
Adjustment to spreading of contracted future rent indexation and tenant incentives			113	(190)	(365)
			<b>(2,169)</b>	<b>(10,088)</b>	<b>(10,671)</b>

## Disposal and acquisition of investment property

On 18 December 2023, the Group completed the acquisition of the Virgin Active in Ockley Road, Streatham for total cost of £5.3 million (net of top up rent of £0.19 million).

The property known as Mercure Hotel was disposed of in August 2023 for £7.5 million as shown in the reconciliation below of the gain recognised on disposal through the Condensed Consolidated Statement of Comprehensive Income; the gain on disposal includes changes in fair value of the investment property and minimum rent indexation spreading recognised in previous periods.

	Half year ended 31 December 2023 (unaudited) £'000	Half year ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Gross proceeds on disposal	7,500	-	-
Selling costs	(118)	-	-
Net proceeds on disposal	7,382	-	-
Carrying value	(6,784)	-	-
<b>Gain on disposal of investment property</b>	<b>598</b>	<b>-</b>	<b>-</b>

## Valuation of investment properties

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

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

## Fair value measurement hierarchy

IFRS13 'Fair Value Measurement' specifies the fair value hierarchy and as explained in Note 2.6 of the Company's 2023 Audited Financial Statements, the Directors have classified the Company's property portfolio as Level 3. This reflects the fact that inputs to the valuation are not based on observable market data.

### 11. Receivables and prepayments

	31 December 2023 (unaudited) £'000	31 December 2022 (unaudited) £'000	30 June 2023 (audited) £'000
<b>Receivables</b>			
Trade debtors	254	301	122
Less: Provision for impairment of trade receivables	(2)	(2)	(2)
Other debtors*	2,621	327	326
<b>Sub total</b>	<b>2,873</b>	<b>626</b>	<b>446</b>
Spreading of minimum contracted future rent indexation	3,080	2,919	3,132
Spreading of tenant incentives - rent free periods	349	448	410
<b>Sub total</b>	<b>3,429</b>	<b>3,367</b>	<b>3,542</b>
Tenant deposit asset (note 12)	118	118	118
Other prepayments	183	74	87
<b>Sub total</b>	<b>301</b>	<b>192</b>	<b>205</b>
<b>Total</b>	<b>6,603</b>	<b>4,185</b>	<b>4,193</b>

\*Other debtors as at 31 December 2023 mainly represent net proceeds from the sale of Mercure Hotel of £2,152,219 (30 June 2023: £111,955, 31 December 2022: £79,302) being held by the external lender, Canada Life Investments.

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

	31 December 2023 (unaudited) £'000	31 December 2022 (unaudited) £'000	30 June 2023 (audited) £'000
Less than three months due	2,885	597	464
Between three and six months due	(12)	29	(18)

<b>Total</b>	<b>2,873</b>	<b>626</b>	<b>446</b>
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## 12. Payables and accrued expenses

	<b>31 December 2023 (unaudited) £'000</b>	<b>31 December 2022 (unaudited) £'000</b>	<b>30 June 2023 (audited) £'000</b>
Deferred income	1,556	1,542	1,568
Other creditors	548	396	409
Accruals	353	269	374
Loan interest payable (note 13)	258	258	258
Tenant deposit liability (note 11)	118	118	118
Trade creditors	67	2	24
	<b>2,900</b>	<b>2,585</b>	<b>2,751</b>

## 13. Interest bearing loans and borrowings

	<b>31 December 2023 (unaudited) £'000</b>	<b>31 December 2022 (unaudited) £'000</b>	<b>30 June 2023 (audited) £'000</b>
<b>Facility drawn at the beginning of the period/ year</b>	<b>41,000</b>	<b>41,000</b>	<b>41,000</b>
Unamortised finance costs brought forward	(276)	(380)	(380)
Amortisation of finance costs in the period/year	52	52	104
<b>At end of period/ year</b>	<b>40,776</b>	<b>40,672</b>	<b>40,724</b>
Repayable between 1 and 2 years	41,000	-	-
Repayable between 2 and 5 years	-	41,000	41,000
<b>Total at end of the period/ year</b>	<b>41,000</b>	<b>41,000</b>	<b>41,000</b>

As at 31 December 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 37.5% (31 December 2022: 36.8%, 30 June 2023: 36.8%). The 5weighted 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 period amounted to £0.65m (30 June 2023: £1.31m, 31 December 2022: £0.65m), £0.26m of which is outstanding (30 June 2023: £0.26m, 31 December 2022: £0.26m).

	<b>31 December 2023 (unaudited) £'000</b>	<b>31 December 2022 (unaudited) £'000</b>	<b>30 June 2023 (audited) £'000</b>
<b>Reconciliation to cash flows from financing activities</b>			
<b>At beginning of the period/ year</b>	40,724	40,620	40,620
<b>Non-cash changes</b>			
Amortisation of finance costs	52	52	104
<b>Total at end of the period/ year</b>	<b>40,776</b>	<b>40,672</b>	<b>40,724</b>

## 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 under non-cancellable leases:

	<b>31 December 2023 (unaudited) £'000</b>	<b>31 December 2022 (unaudited) £'000</b>	<b>30 June 2023 (audited) £'000</b>
Within one year	-	50	50
After one year but less than five years	-	150	150
More than five years	-	488	463
<b>Total undiscounted lease liabilities</b>	<b>-</b>	<b>688</b>	<b>663</b>
Less: Future finance charge on lease obligations	-	(372)	(364)
<b>Present value of lease liabilities</b>	<b>-</b>	<b>316</b>	<b>299</b>
<b>Lease liabilities included in the statement of financial position</b>			
Current	-	34	33
Non-current	-	282	266
<b>Total</b>	<b>-</b>	<b>316</b>	<b>299</b>

The lease obligations have been released to the Condensed Consolidated Statement of Comprehensive Income following the sale of Mercure Hotel (note 10).

## 15. Commitments

### 15.1. Operating lease commitments - as lessor

The Group has 19 commercial properties with 33 units in its investment property portfolio as set out above. These non-cancellable leases have a remaining term of between 15 months and 110 years, excluding ground leases.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December 2023 are as follows:

	31 December 2023 (unaudited) £'000	31 December 2022 (unaudited) £'000	30 June 2023 (audited) £'000
Within one year	7,449	7,094	7,179
After one year, but not more than two years	7,470	6,838	6,804
After two years, but not more than three years	7,454	6,558	6,548
After three years, but not more than four years	6,889	7,023	7,034
After four years, but not more than five years	6,456	6,685	6,416
After five years, but not more than ten years	29,947	28,730	28,307
After ten years, but not more than fifteen years	21,845	24,905	24,085
More than fifteen years	51,668	52,563	50,689
<b>Total</b>	<b>139,178</b>	<b>140,396</b>	<b>137,062</b>

There were no material contingent rents recognised as income for all period presented.

### 15.2. Capital commitments

There were no capital commitments at 31 December 2023 (31 December 2022: none, 30 June 2023: none).

### 15.3. Financial commitments

As disclosed in the Company's 2023 Annual Report (note 15.3), the Board engaged in mediation for the one item of litigation that it was involved in, which resulted in a full and final settlement of £825,000 being received.

As a result, the Group have no financial commitments other than those arising from its normal business operations, and in the year ended 30 June 2023, the settlement was 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 period end (31 December 2022: nil, 30 June 2023: nil).

## 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 of £1 held
Alternative Income REIT Holdco Limited (Company number 11052186)	England and Wales	7 November 2017	Real Estate Company	73,158,502
Alternative Income Limited (Company number 10754641)	England and Wales	4 May 2017	Real Estate Company	73,158,501

Alternative Income REIT plc at 31 December 2023 owns 100% controlling stake 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

Ordinary Shares issued and fully paid of 80,500,000 shares at a nominal value of £0.01 per share. This remains unchanged for all period presented.

## 18. Transactions with related parties

## 18. Transactions with related parties

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

### Directors

Directors of the Group are considered to be related parties. Directors' remuneration is disclosed in note 5.

### Investment Adviser

#### M7 Real Estate Ltd

M7 Real Estate Ltd was appointed as Investment Adviser on 14 May 2020. The Interim Investment Advisory agreement (amended 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. For the six months ended 31 December 2023, the Group incurred £180,000 of which £nil was outstanding at period end (2022: £191,000 of which £191,000 was outstanding at period end, 30 June 2023: £371,000, £nil of which is outstanding).

## 19. Events after reporting date

### Dividend

On 8 February 2024, the Board declared an interim dividend of 1.425pps in respect of the period from 1 October 2023 to 31 December 2023. This will be paid on 1 March 2024 to shareholders on the register as at 16 February 2024. The ex-dividend date was 15 February 2024.

### Change of Investment Advisor

As explained in the Chairman's Statement, the Board has undertaken a review of the Group's investment advisory arrangements. This review included proposals from select third party investment managers with the relevant property expertise. Following this, on 26 February 2024 the Board approved the appointment of Martley Capital as the Group's Investment Adviser, subject to final regulatory approvals. The Martley Capital Group (of which Martley Capital is a subsidiary) launched in December 2023 as a new venture whereby key members of the current advisory team at M7 Real Estate will continue to service the Group as part of the Martley Capital team. The appointment of Martley Capital was by way of a deed of novation of the Group's investment advisory agreement (and subsequent minor changes thereto) leaving the parties on substantially the same terms and at an unchanged fee.

## EPRA Performance Measures (unaudited)

		At 31 December 2023 £'000	At 31 December 2022 £'000	At 30 June 2023 £'000
<b>EPRA Yield calculations</b>				
Investment properties wholly owned:				
- by Company		1,875	1,950	1,875
- by Alternative Income Limited		101,450	105,475	105,150
Total - note 10		103,325	107,425	107,025
Allowance for estimated purchasers' costs		6,716	6,983	6,957
<b>Gross completed property portfolio valuation</b>	<b>B</b>	<b>110,041</b>	<b>114,408</b>	<b>113,982</b>
Annualised gross passing rent		7,645	7,462	7,560
Annualised property outgoings		(5)	(55)	(55)
<b>Annualised net rents</b>	<b>A</b>	<b>7,640</b>	<b>7,407</b>	<b>7,505</b>
Add: notional rent expiration of rent-free periods or other lease incentives		408	688	563
<b>Topped-up net annualised rent</b>	<b>C</b>	<b>8,048</b>	<b>8,096</b>	<b>8,068</b>
<b>EPRA NIY*</b>	<b>A/B</b>	<b>6.94%</b>	<b>6.47%</b>	<b>6.58%</b>
<b>EPRA "topped-up" NIY</b>	<b>C/B</b>	<b>7.31%</b>	<b>7.08%</b>	<b>7.08%</b>

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

		Half year ended 31 December 2023 £'000	Half year ended 31 December 2022 £'000	Year ended 30 June 2023 £'000
<b>EPRA Cost Ratios</b>				
Include:				
EPRA Costs (including direct vacancy costs)				
- note 4	A	571	585	1,232
Direct vacancy costs		-	-	-
EPRA Costs (excluding direct vacancy costs)	B	571	585	1,232
Gross rental income - note 3	C	3,492	3,856	8,088
<b>EPRA Cost Ratio**</b>				
<b>(including direct vacancy costs)</b>	<b>A/C</b>	<b>16.35%</b>	<b>15.17%</b>	<b>15.23%</b>
<b>EPRA Cost Ratio</b>				
<b>(excluding direct vacancy costs)</b>	<b>B/C</b>	<b>16.35%</b>	<b>15.17%</b>	<b>15.23%</b>

\*\*Due to the timing of the Mercure Hotel disposal, and the subsequent Streatham acquisition, the rental income has decreased in the half year ended 31 December 2023. This has resulted in the above increase to the EPRA cost ratio.

		Half year ended 31 December 2023 £'000	Half year ended 31 December 2022 £'000	Year ended 30 June 2023 £'000
<b>EPRA Vacancy rate</b>				
Annualised potential rental value of vacant premises	A	-	-	-
Annualised potential rental value for the completed property portfolio	B	6,841	6,998	7,040
<b>EPRA Vacancy rate</b>	<b>A/B</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

## 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.

		31 December 2023	31 December 2022	30 June 2023
NAV per Ordinary share (note 8)	A	81.62	84.34p	84.16p
Share price	B	71.50	66.70p	64.70p
Discount	(A-B)/A	12.40%	20.92%	23.12%

### Dividend Cover

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

		31 December 2023	31 December 2022	30 June 2023
Adjusted EPS (note 8)	A	2.96p	3.35p	6.43p
Dividend per share (note 9)	B	2.85p	2.75p	6.045p
Dividend cover	A/B	103.86%	121.82%	106.37%

### Dividend Yield

The percentage ratio of the Company's declared dividends for the financial year (or historic declared dividends if dividends are yet to be declared for a year) per share divided by the Company's share price at the period/year end.

		31 December 2023	31 December 2022	30 June 2023
Annual dividend target*/payable	A	5.90p	5.50p	6.045p
Share price	B	71.50p	66.70p	64.70p
Dividend yield	A/B	8.25%	8.25%	9.34%

\* The Board had set a target dividend for the year ended 30 Jun 2023 of 5.70p. As explained in the 2023 Annual Report's Chairman's Statement on page 6, a higher dividend was paid for the year in order to pay sufficient dividends as a PID in order to meet tax requirements, and to distribute to shareholders the extra income received in that year.

### 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 Group's property portfolio (as provided by the valuer) and the fair value of other assets.

		31 December 2023	31 December 2022	30 June 2023
Borrowings (£'000)	A	41,000	41,000	41,000
Total assets (£'000)	B	109,376	111,469	111,524
Loan to GAV	(A/B)	37.49%	36.78%	36.76%

### Ongoing Charges

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

		31 December 2023	31 December 2022	30 June 2023
Other operating expenses for the half year / year (£'000)	A	509	499	1,049
Ongoing charges- annualised where required (£'000)	B	975†	1,034†	1,009†

Average net assets (£'000)	C	66,725	72,747	72,675
Ongoing charges ratio	B/C	1.46%	1.42%	1.39%

† Non-recurring legal and professional costs have been excluded in the annualised amount for the period/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 2023	A	64.70p	84.16p
Closing at 31 December 2023	B	71.50p	81.62p
Return	$C=(B/A)-1$	10.51%	(3.02%)
Dividend reinvestment *	D	5.18%	3.98%
Total shareholder return	C+D	15.69%	0.96%
Opening at 30 June 2022	A	82.10p	96.40p
Closing at 31 December 2022	B	66.70p	84.34p
Return	$C=(B/A)-1$	(18.76%)	(12.51%)
Dividend reinvestment*	D	3.38%	2.88%
Total shareholder return	C+D	(15.38%)	(9.63%)
Opening at 30 June 2022	A	82.10p	96.40p
Closing at 30 June 2023	B	64.70p	84.16p
Return	$C=(B/A)-1$	(21.19%)	(12.69%)
Dividend reinvestment*	D	6.97%	5.97%
Total shareholder return	C+D	(14.22%)	(6.72%)

\* 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.

## 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](mailto: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](http://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.alternativeincomeit.com](http://www.alternativeincomeit.com).

### Annual and Interim Reports

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

**Financial Calendar 2024**

30 June 2024	Year end
September 2024	Announcement of annual results
November 2024	Annual General Meeting

**Glossary**

<b>Alternative Investment Fund Manager or AIFM or Investment Manager</b>	Langham Hall Fund Management LLP.
<b>Company</b>	Alternative Income REIT plc.
<b>Contracted rent</b>	The annualised rent adjusting for the inclusion of rent subject to rent-free periods.
<b>Earnings Per Share ('EPS')</b>	Profit for the period attributable to equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period.
<b>EPRA</b>	European Public Real Estate Association, the industry body representing listed companies in the real estate sector.
<b>Equivalent Yield</b>	The internal rate of return of the cash flow from the property, assuming a rise to Estimated Rental Value at the next review or lease expiry. No future growth is allowed for.
<b>Estimated Rental Value ('ERV')</b>	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.
<b>External Valuer</b>	An independent external valuer of a property. The Group's External Valuer is Knight Frank LLP.
<b>Fair value</b>	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.
<b>Fair value movement</b>	An accounting adjustment to change the book value of an asset or liability to its fair value.
<b>FCA</b>	The Financial Conduct Authority.
<b>Gross Asset Value ('GAV')</b>	The aggregate value of the total assets of the Group as determined in accordance with IFRS.
<b>IASB</b>	International Accounting Standards Board.
<b>IFRS</b>	International financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board.
<b>Investment Adviser</b>	M7 Real Estate Limited.
<b>IPO</b>	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.
<b>Lease incentives</b>	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.
<b><i>Loan to Value ('LTV')</i></b>	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.
<b><i>Net Asset Value ('NAV')</i></b>	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
<b><i>Net Asset Value per share</i></b>	Equity shareholders' funds divided by the number of Ordinary Shares in issue.
<b><i>Net equivalent yield</i></b>	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.
<b><i>Net Initial Yield ('NIY')</i></b>	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.
<b><i>Net rental income</i></b>	Rental income receivable in the period after payment of ground rents and net property outgoings.
<b><i>Ordinary Shares</i></b>	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.
<b><i>pps</i></b>	Pence per share.
<b><i>REIT</i></b>	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.
<b><i>Reversion</i></b>	Increase in rent estimated by the Company's External Valuers, where the passing rent is below the ERV.
<b><i>Share price</i></b>	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.
<b><i>Weighted Average Unexpired Lease Term ('WAULT')</i></b>	The average lease term remaining for first break, or expiry, across the portfolio weighted by contracted rental income (including rent-frees).

## Shareholder Information

### ***Directors***

Simon Bennett (Independent non-executive Chairman)  
Stephanie Eastment (Independent non-executive Director)  
Adam C Smith (non-executive Director)

### ***Company Website***

<https://www.alternativeincomereit.com/>

### ***Registered Office***

1 King William Street  
London  
EC4N 7AF

### ***Company Secretary***

Hanway Advisory Limited  
1 King William Street  
London  
EC4N 7AF

### ***AIFM***

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Langham Hall Fund Management LLP  
1 Fleet Place  
8<sup>th</sup> Floor  
London  
EC4M 7RA

***Depository***

Langham Hall UK Depository LLP  
8<sup>th</sup> 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 ('Investment Adviser')***

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

***Property Manager***

Mason Owen and Partners Limited  
7<sup>th</sup> Floor  
20 Chapel Street  
Liverpool  
L3 9AG

***Valuer***

Knight Frank LLP  
55 Baker Street  
London  
W1U 8AN

***Registrar***

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

***Auditor***

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

***Corporate Broker***

Panmure Gordon (UK) Limited  
40 Gracechurch Street

75 Gracechurch Street

London

EC3V 0BT

***Communications Adviser***

H/Advisors Maitland

3 Pancras Square

London

N1C 4AG



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