Regulatory Story

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Supermarket Income REIT PLC - SUPR Final Results
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SUPERMARKET INCOME REIT PLC

(the "Group" or the "Company")

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FULL YEAR AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2019

Supermarket Income REIT plc (LSE: SUPR), the real estate investment trust dedicated to investing in property which enables the future model of UK grocery, is today reporting its audited consolidated results for the Group for the Year ended 30 June 2019 (the "Year").

FINANCIAL HIGHLIGHTS

	30-Jun-19	**30-Jun-18**[1]	**Change**
EPRA EPS	5.0 pence	3.8 pence	+31.6%
Quarterly dividend per share	1.419 pence	1.375 pence	+3.2%
EPRA NAV per share	97 pence	96 pence	+1.0%
Total net assets	£230.5m	£176.7m	+30.4%
Annualised passing rent	£19.2m	£13.7m	+40.1%
Loan to value	36.3%	32.4%	+3.9%
Portfolio net initial yield	4.9%	4.9%	-
Total shareholder return	8.0%	8.0%[1]	-

- 8.0% total shareholder return for the Year vs UK REIT sector return of minus 6%[2]
- Four quarterly dividends declared for the Year totaling 5.6 pence per ordinary share (2018: 5.5 pence), quarterly dividends up 3.2% since September 2018 in line with UK RPI inflation
- Investment properties independently valued on 30 June 2019 at £368.2 million (2018: £264.9 million)
  - 4.8% growth above the Portfolio acquisition price (excluding acquisition costs) and 1.3% on a Like for like basis
- 3.2% average rent review increase for the Year (2018: 3.6%) in line with UK RPI inflation

[1] 2018 comparative period is for the 13 months from 1 June 2017 to 30 June 2018

BUSINESS HIGHLIGHTS

- Acquisition of two accretive omnichannel supermarket assets at an aggregate purchase price of £96.7 million:
  - New assets average acquisition NIY 5.1% vs Portfoilo average of 4.9%
  - New assets 21-year WAULT vs Portfoilo 18 year WAULT
  - All RPI linked rent reviews
- £56.3 million total equity raised in the Year
  - £45.0 million oversubscribed Placing and Offer for Subscription in March 2019
  - £11.3 million issued in part consideration of a supermarket acquisition in April 2019
- Justin King former CEO of Sainsbury's joined Atrato as Senior Advisor March 2019

POST BALANCE SHEET EVENTS

- Acquisition of an eighth supermarket, a Sainsbury's superstore in Preston, Lancashire with an unexpired lease term of 23 years, for £54.4 million (net of acquisition costs), reflecting a net initial yield of 5.1%
- £47.6 million debt facility and an uncommitted £40 million accordion option provided by Deka Bank, fixed at 1.9% for the five year term of the facility
- For the period October to December 2019 and thereafter, an increase in the quarterly dividend target of 2.9% to 1.46 pence per share
- Increased dividend target for the FY 2020 to 5.80 pence per share in line with UK RPI inflation

Nick Hewson, Chairman of Supermarket Income REIT plc, commented:

"I am delighted to report to you another year of strong performance by the Group in which we have again generated an 8% total return for our shareholders. We have continued to implement our highly specific investment strategy and deliver on our performance targets.

"In an extremely challenging market for retail commercial real estate, I am pleased that our focused strategy of investing solely in grocery assets is being recognised by the market. The Company's Total Shareholder Return of 8.0% compares favorably to a UK REIT sector return of minus 6% and over the two years since IPO our Total Shareholder Return is 16.7% against minus 1% for the sector[2].

"The contracted RPI rental growth in all of our leases also means that we are able to announce our intention to again raise our dividend target from October 2019 by RPI. We are committed to providing investors stable, long-term, inflation-protected income, supported by a compelling real estate opportunity."

[2] FTSE EPRA NAREIT UK index

Presentation for analysts

A presentation to analysts (with dial-in facilities) will take place today at 09:30am at Tavistock, 1 Cornhill, London EC3V 3ND.

Dial in details are as follows:

- UK Toll-Free: 0800 3589473
- UK Toll: +44 3333000804
- Participant PIN: 42859118#

The results presentation is available in the Investor Centre section of the Company's website https://www.supermarketincomereit.com/

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NOTES TO EDITORS:
Supermarket Income REIT plc (SUPR) is listed on the specialist fund segment of the main market of the London Stock Exchange. SUPR acquires supermarket sites that enables the future model of grocery in the United Kingdom. SUPR aims to provide long-term RPI-linked income, from institutional grade tenants and the potential for capital growth through active asset management. Atrato Capital is the Company's Investment Adviser.

Further information is available on the Company's website www.supermarketincomereit.com

CHAIRMAN'S STATEMENT

I am delighted to report to you another year of strong performance by the Group and am pleased to present the Group's results for the year ended 30 June 2019.

Overview
We invest in omnichannel stores which we believe are the future model of grocery in the UK. Omnichannel supermarkets operate both as physical supermarkets and as online fulfilment centres.

Our Portfolio is let on fully repairing and insuring lease terms ("FRI"), with upward-only, RPI-linked rent reviews, providing an annualised passing rent roll of £19.2 million with a current weighted average unexpired lease term of 18 years[3]. This stable, inflation linked income stream enabled us to declare dividends totaling 5.6 pence per share for the year (13 months to 30 June 2018: 5.5 pence), and we are announcing a further 2.9% increase in our quarterly dividend target from October 2019 to an annualised 5.8 pence per ordinary share, with the first quarterly dividend of 1.46 pence per share expected to be declared in January 2020 and paid in February 2020. We are again increasing the dividend in line with UK RPI inflation for the year.

We have acquired three additional supermarkets (including one post balance sheet) totaling £151.1 million. The new assets are accretive to both portfolio yield and portfolio unexpired lease term. These acquisitions were in part financed by the oversubscribed £45.0 million share placing in March 2019 and the allotment of £11.3 million of Ordinary Shares in April 2019. The latter was made in part consideration of the purchase of the Tesco Extra supermarket in Mansfield, Nottinghamshire for £45.0 million. We are especially pleased to have been able to use Ordinary Shares in the Company as part consideration in a supermarket acquisition for the first time. We believe there are many owners of supermarket properties that would benefit from swapping their ownership into shares in Supermarket Income REIT, gaining both diversification, specialist management, and the benefits of our REIT corporate wrapper.

Financial results
The Group's investment properties were independently valued on 30 June 2019 at £368.2 million, an increase of 4.8% above the aggregate acquisition price (excluding acquisition costs) and providing like for like growth of 1.3%.

All our properties have contractual, upward-only, inflation-linked rental uplifts and average rental increases were 3.2% in the year (13 months to 30 June 2018: 3.6%). The high degree of certainty of income inherent in the Group's long, inflation linked, leases, combined with the improving financial performance of the supermarket operators, gives the Board confidence that further valuation growth can be achieved in the future.

Our EPRA earnings for the year were £9.9 million (13 months to 30 June 2018: £4.7 million), generating EPRA earnings per share for the year of 5.0 pence per share (13 months to 30 June 2018: 3.8 pence). The Group has a highly-transparent and low cost base. Our EPRA cost ratio for the year was 17.9% (13 months to 30 June 2018: 23.4%), with an ongoing charge ratio, calculated under the AIC methodology, of 1.4% (13 months to 30 June 2018: 1.4%). The Group's EPRA NAV was 97 pence per ordinary share as at 30 June 2019 (2018: 96 pence).

Dividends
One of our core objectives is to deliver a high-quality, low-risk income stream to shareholders. We declared four quarterly interim dividends totaling 5.6 pence per share for the year (13 months to 30 June 2018: 5.5 pence). Our EPRA dividend cover ratio was 90% for the year (13 months to 30 June 2018: 92%).

We are targeting a 2.9% increase in the quarterly dividend for the year from October 2019, in line with UK RPI inflation for the year, resulting in an annual dividend target of 5.8 pence per share for the financial year ending 30 June 2020.

Debt financing
As of 30 June 2019, we have drawn down debt facilities totalling £144.9 million, with a further £7.2 million of facilities undrawn at the year end.

We have broadened our banking arrangements during the year, adding Bayerische Landesbank ("BLB") to our initial relationship with HSBC. This £52.1 million facility has a margin of 1.25% above three-month LIBOR and is secured against the Morrisons supermarket in Sheffield and the Sainsbury's supermarket in Ashford. This new facility was hedged using an interest rate swap, thus fixing the Group's cost of debt at 2.55% on this borrowing for the term of the facility.

As at 30 June 2019, the Group's net loan-to-value (LTV) ratio was 36.3% (2018: 32.4%). The Group will target a LTV ratio of 30-40% in the medium term once the portfolio growth phase is complete, which the Board considers conservative, given the low risk nature of the Portfolio.

We continue to diversify the Group's sources of debt finance, adding Deka Bank to the banking relationship and agreeing a new £47.6 million debt facility and £40 million uncommitted accordion facility with them (see post balance sheet events).

The average unexpired term of our borrowing is four years (including a one-year extension option on the HSBC facility and the new Deka Bank facility) and our weighted average cost of debt is 2.4% (2018: 2.4%). Our favourably priced debt facilities reflect the quality of the underlying Portfolio and strength of the tenant covenants.

Hedging and loan interest
Managing risk is essential to delivering the quality of income we are targeting for our shareholders.

Our hedging strategy for the Group's variable rate debt is primarily to use interest rate derivatives, which allows the Group to benefit from current historically low interest rates, while minimising the effect of a significant interest rate increase. The Group has entered into an interest rate cap and interest rate swap instrument to hedge our interest rate exposure on the drawn debt on the HSBC and BLB debt facilities respectively which, when combined with the post balance sheet fixed-rate debt, hedge 85% (2018: 80%) of its drawn borrowings. Our interest rate cap and interest rate swap run coterminous with the respective loan maturities. Further details of hedging facilities can be found on note 16 to the financial statements.

Post balance sheet events
On 28 August 2019, we completed the acquisition of our eighth supermarket asset, a Sainsbury's superstore in Preston, Lancashire for £54.4 million (net of acquisition costs), at a net initial yield of 5.1%.

The Group has also arranged a new five-year, interest-only loan facility with Deka Bank. The £47.6 million facility, which includes a uncommitted £40 million accordion option, has fixed coupon of 1.9% and is secured against the Sainsbury's superstore in Preston, Lancashire and the Tesco Extra supermarket in Mansfield, Nottingham. The accordion allows the Group the option to expand the £47.6 million debt by a further £40 million, subject to Deka Bank credit approval, during the term of the facility.

Outlook

We are very pleased to have delivered a total shareholder return of 8.0% for the year (13 months to 30 June 2018: 8%) and remain confident of delivering continued strong returns for our shareholders.

The Board and the Investment Manager continue to see numerous opportunities in the market which meet the Company's investment objectives whilst potentially adding further geographical, covenant and income diversification to the portfolio. These opportunities are still at an early stage and remain subject to the Investment Adviser's and Company's stringent due diligence procedures. If these opportunities reach a more advanced stage, they are expected to contribute materially to earnings growth and our progressive dividend policy.

[3] Excludes post balance sheet events.

Nick Hewson
Chairman
3 September 2019

OUR PORTFOLIO

Tenant	Tesco	Tesco	Sainsbury's	Tesco	Tesco	Morrisons	Tesco	Sainbury's[1]
Location	Thetford, Norwich	Lime Trees, Bristol	Ashford, Kent	Cumbernauld, North Lanarkshire	Doncaster Road, Scunthorpe	Hillsborough, Sheffield	Mansfield, Notts	Preston, Lancashire
Acquisition Date	Aug 2017	Aug 2017	Aug 2017	Dec 2017	May 2018	Jul 2018	Apr 2019	Aug 2019
Purchase Price (millions)	£43.2	£28.5	£79.8	£50.0	£53.0	£51.7	£45.0	£54.4
Valuation at 30 June 2019 (millions)	£43.4	£29.6	£84.5	£55.1	£55.7	£53.0	£46.9	£54.4
Passing annual rent (millions)	£2.64	£1.58	£3.93	£3.03	£2.98	£2.54	£2.51	£2.96
GIA (sq.ft.)	78,000	55,000	125,000	117,000	98,000	113,000	90,000	106,000
NSA (sq.ft.)	48,000	31,000	72,000	70,000	65,000	58,000	64,000	78,000
Rent review basis	Annual RPI	Annual RPI	Annual RPI	Annual RPI	Annual RPI	5 yearly RPI	Annual RPI	Annual RPI
Lease Expiry	Dec 2029	Mar 2031	Sep 2038	Aug 2040	Aug 2040	Oct 2039	Mar 2039	Feb 2042
Tenure	Virtual freehold[2]	Virtual freehold[2]	Freehold	Virtual freehold[2]	Virtual freehold[2]	Virtual freehold[2]	Virtual freehold[2]	Freehold

1 Asset acquired post balance sheet

2 Long leasehold i.e. greater than 900 years

Tesco, Thetford

A Tesco Superstore comprising 48,000 sq. ft. Net Sales Area ("NSA") on a 10.4 acre site with more than 500 parking spaces, a 12-petrol filling forecourt and dedicated online fulfilment distribution docks. The property is leased to Tesco under annual, upward only, RPI-linked (capped and floored) rent reviews on full repairing and insuring terms with the first break being at lease expiry in December 2029.

The property has a long history of strong trading and is situated directly adjacent to the future Kingsfleet development. The Crown Estate has detailed planning consent to build 5,000 homes, three schools and associated infrastructure adjacent to this store. The Kingsfleet development is expected to take over 10 years to complete, with Phase 1 currently under construction, and will ultimately re-position this Tesco store in the centre of the significantly enlarged town of Thetford.

The Group acquired the property in August 2017 for £43.2 million, reflecting a net initial yield of 5.4%. This store fulfils both online home delivery and click and collect.

Tesco, Bristol
A Tesco Superstore comprising 31,000 sq. ft. NSA on a 5.7 acre site with more than 450 parking spaces.

The property is leased to Tesco under annual, upward only, RPI-linked (capped and floored) rent reviews on full repairing and insuring terms with the first break being at the time of lease expiry in March 2031.

The property is situated within the Henleaze suburb of Bristol and has a long history of strong trading performance. This suburban store facilitates online fulfilment via click and collect.

The Group acquired the property in August 2017 for £28.5 million, reflecting a net initial yield of 4.9%.

Sainsbury's, Ashford
A Sainsbury's store comprising 72,000 sq. ft. (NSA) on 17 acres in Ashford, Kent. The site has more than 700 parking spaces, a 12-pump petrol filling forecourt and dedicated online fulfilment distribution docks. The property is leased to Sainsbury's under annual, upward only, RPI-linked (capped and floored) rent reviews on full repairing and insuring terms with the first break being at the time of lease expiry in September 2038.

This property is ideally located to serve the ever-growing Ashford population, located in close proximity to the town centre and directly adjacent to the M20 and a major leisure park. This store plays an important role in Sainsbury's online fulfilment network in the South East and fulfils both online home delivery and click and collect. The store has benefited from significant capital investment with Sainsbury's undertaking a major extension and refurbishment of the entire site in 2011.

The Group acquired the property in August 2017 for £79.8 million, reflecting a net initial yield of 4.5%.

Tesco, Cumbernauld
A Tesco Extra supermarket comprising 70,000 sq. ft. (NSA) on a 9.5 acre site with 570 parking spaces, a 12-pump petrol filling forecourt and dedicated online fulfilment distribution docks. The property is leased to Tesco under annual, upward only, RPI-linked (capped and floored) rent reviews on full repairing and insuring terms with the first break being at the time of lease expiry in August 2040. The site occupies a town centre location equidistant from Glasgow and Stirling.

The store has a strong trading record and plays an important role in Tesco Scottish online fulfilment network. This store fulfils both online home delivery and click and collect.

The Group acquired the property in December 2017 for £50.0 million, reflecting a net initial yield of 5.3%.

Tesco, Scunthorpe
A Tesco Extra supermarket in the north Lincolnshire town of Scunthorpe. Developed in 2002, the store totals 65,000 sq. ft. (NSA) on an 8.3 acre site with more than 580 parking spaces, an eight pump petrol filling forecourt and dedicated online fulfilment distribution docks. It was acquired with annual, upward-only, RPI-linked rent reviews (capped and floored) on fully repairing and insuring terms with the first break being at lease expiry in August 2040.

The store is strategically located to support online fulfilment given the excellent motorway and road connections and plays an important role in the Tesco online fulfilment network. The store has a strong trading record on site and is situated adjacent to the Lincolnshire Lakes development, which consists of more than 6,000 new homes. This store fulfils both online home delivery and click and collect.

The Group acquired the property in May 2017 for £53.0 million, reflecting a net initial yield of 5.1%.

Morrisons, Sheffield

A Morrisons supermarket located on an 8.4-acre site in the historic and prominent Hillsborough Barracks. It comprises a 58,000 sq. ft (NSA) store, approximately 860 parking spaces and a 12-pump petrol filling station. The store has a history of strong trading and is prominently placed to serve the Hillsborough area.

It was acquired with, upward-only, RPI-linked rent reviews compounded annually (capped and floored) with the first break being at lease expiry in October 2039. The next rent review is scheduled for October 2019 and every five years thereafter. Since acquisition, the store benefited from a significant capital investment programme by Morrisons which significantly increased the net internal sales area over by over 5,000 sq. ft.

The Group acquired the property in July 2018 for £51.7 million, reflecting a net initial yield of 4.9%.

Tesco, Mansfield
A Tesco Extra supermarket located on an 8.6-acre town center site in Mansfield, Nottinghamshire. The store comprises a 64,000 sq. ft (NSA) Tesco Extra, approximately 530 parking spaces and a 12-pump petrol filling station.

The store was originally developed in 2007 and occupies a prominent position as the only large Supermarket inside Mansfield's inner ring road with the store's catchment area set to benefit from significant residential development. The store facilitates online fulfilment via click and collect.

It was acquired with annual, upward-only, RPI-linked rent reviews (capped and floored) on fully repairing and insuring terms and with the first break being at lease expiry in March 2039.

The Group acquired the property in April 2019 for £45.0 million, reflecting a net initial yield of 5.2%.

Sainsbury's, Preston[4]
A Sainsbury's store comprising 78,000 sq. ft (NSA) located on a 9.9 acre site in Preston, Lancashire. The site has over 500 parking spaces and a 12-pump petrol filling station. The store was extended in 2010 and now plays an important role in Sainsbury's online fulfillment network across the Lancashire area.

The property is let to Sainsbury's on a fully repairing and insuring lease with annual, upwards only, RPI linked rent reviews (capped and floored). It has an unexpired lease term of 23 years with the first break being on lease expiry in February 2042. The property's catchment area is situated within the Bartle lane development area, which will see the development of up to 1,100 new homes and associated infrastructure. This store fulfils both online home delivery and click and collect.

The Group acquired the property in August 2019 for £54.4 million reflecting a net initial yield of 5.1%.

[4] Asset acquired post balance sheet

Q&A WITH JUSTIN KING

Justin King is a senior advisor to Atrato Capital, the Investment Advisor to Supermarket Income REIT. Justin is recognised as one of the UK's most successful grocery sector leaders, having served as Chief Executive of J Sainsbury plc for 10 years until 2014. Prior to that, he was part of the leadership team at Marks & Spencer plc and previously held senior roles at Asda. He is currently non-executive director of Marks and Spencer Plc and a member of the Public Interest Body of PwC and Vice Chairman of Terra Firma. Justin brings a wealth of grocery sector experience and a deep understanding of grocery property strategy.

The UK grocery sector is experiencing significant structural change, how do you think this impacts the traditional supermarket shop and is this now a thing of the past?

In my career I always taken the view that if you see consensus run away from it, because the opportunity will often lie in the contrarian view.

There is still no greater retail proposition than a large, grocery led supermarket selling fresh food in the right location. Supermarkets generate significant cash flow, and the core of how and where consumers perform the grocery shop is substantively unchanged. If you look at the UK, the grocery sector is heading to be a £200 billion market and some 60% or £120 billion, is still done in or fulfilled from a supermarket as part of a weekly grocery shop. That cash value is unchanged from 10 years ago.

Clearly market growth has come from convenience, discount and online, in that order, but the dominant channel remains, and I believe will remain, the supermarket.

Doesn't online grocery and the shift in growth away from bricks and mortar change that?

This distinction between bricks and mortar vs online is a largely false one, and will diminish in the future. The line between what is online and what is in-store is already blurred. Take UK online grocery, over 75% is actually fulfilled from a supermarket operating as a hub for click and collect and home delivery, so the share of the market which is fulfilled from the traditional supermarket is actually over 60% or £120bn.

You need to remember that customer preference for choice, convenience and fresh produce combined with operators' need to optimise last mile delivery logistics, results in large supermarkets being ideally placed to operate as last mile fulfilment centres and that's exactly what's happening in what's now known as omnichannel stores.

Do you think there is a threat from the likes of Ocado and Amazon to that model?

Grocery shopping online is only 6% of the UK grocery market, yet we are 20 years into that journey with every major operator, and a pure play in Ocado, between them investing billions in the opportunity. Today, around 1%, out of 30 million households in the UK, do more than 50% of their grocery shop online, of which most live in the London area. Online grocery remains a minority channel in and of itself.

Pure play home delivered grocery has not been profitable, and I believe it is unlikely to ever generate sufficient profit as a stand alone sales channel. However, you need to recognise that online grocery is, for most customers, a pivotal part of the overall relationship with the operator. I once described online grocery as no different to selling a can of beans below cost, you do it because your competitors do it, and you accept that it's required to generate a long term loyal relationship with your customer, and that ultimately drives a profitable overall relationship with the customer.

I consider the most significant retail transaction in the last 10 years was Amazon's purchase of Whole Foods. Amazon was not motivated by acquiring technology, it was a technology company acknowledging that a successful grocery business can only be achieved through well located shops with great customer service, operating an omnichannel business model with a well-developed supply chain.

It seems to me that the property market doesn't understand that when it comes to supermarket property as an investment class.

Do the discounters threaten your view on supermarkets?

It's worth remembering that presence of discounters in the UK grocery market is not new, and nor is their business model. Aldi and Lidl have opened stores and gained significant market share in recent years, however previous discounter brands such as Netto (acquired by Asda) and KwikSave (acquired by Co-Op) have all but disappeared.

The current market share of Aldi and Lidl (14%) is similar to the market share of previous discounters as far back as the mid-80s.

The ability of discounters to compete with large supermarkets is limited as most UK consumers cannot meet all their needs in a small 10,000 sq.ft. discounter store, with 90 per cent of shoppers at a discounter also shopping elsewhere. Most consumers want a wider range of products including well-loved brands and own brand fresh food that are typically not available in discounters. For this reason, amongst others, I do not believe that the discounters will grow to the same extent as Germany where the discounters hold 40% market share.

Aldi and Lidi have not been able to copy the low-cost German model like for like. In contrast, they have been forced to invest heavily on store layout to make them attractive

to the British shopper. For example, Aldi's "Project Fresh" was a £300 million investment in redesigning the store experience with wider aisles, clear signage and more focus on fresh food. This serves to increase the cost base of the store, thereby diluting somewhat the discounters' cost advantage.

I believe discounters are now through the zenith of their expansion programmes and disruption in the UK. They will continue to keep pricing sharp, of course but not result in further incremental disruption to market share.

How environmentally sustainable is the traditional supermarket?

Sainsbury's recently celebrated a 150-year anniversary, and it's worth remembering that Sainsbury's was founded in response to the largest sustainability issue of the Victorian era, which was how to provide safe affordable food and strengthen the representation of the consumer in the supply chain.

Grocery operators have maintained that level of leadership on the most significant sustainability issues of the past 100 years. They were the first to make women a major contributor to their work force, first to implement significant recycling programmes in response to shortages during both world wars and that innovation continues today with environmental sustainability. It is an embedded value of the sector.

The grocery operators have one of the clearest articulations of what environmental sustainability means to their business model. Supermarkets have invested significant capital into ongoing carbon reduction initiatives such as solar panels, switching to natural refrigerants, green gas using combined heat and power (CHP) plants and installing LED lighting. The scale of the operator's business means they can and are making an important contribution to sustainable grocery development in the UK and internationally.

Sainsbury's created five values for environmental and economic responsibility as part of its 2020 sustainability plan and it's encouraging to see SUPR taking a leading role in recognising how important environmental sustainability is to the operator's business model, by investing in on-site renewables across its supermarket estate as part of its asset management policy.

INVESTMENT ADVISER'S REPORT

Atrato Capital Limited, the Investment Adviser to Supermarket Income REIT plc, is pleased to report on the operations of the Group for the year.

Overview

The Company's investment policy is to invest in stores which deliver the future model of grocery in the UK. As grocery retailers are increasingly adopting a strategy of integrating online and offline shopping, with all of the big four operators now utilising well-located stores as last-mile fulfilment centres, the Group targets stores that operate both as physical supermarkets and online fulfilment centres, via home delivery and/or click and collect, with the following characteristics:

- large catchment populations and excellent transportation links
- long unexpired lease terms with inflation linked rental uplifts
- strong underlying trading performance
- attractive property fundamentals with opportunities for active asset management

The financial stability of the grocery sector is improving. In June Moody's Investors Services upgraded Tesco plc to investment grade (Baa3) following the actions of Fitch Ratings who raised them to the equivalent level (BBB-) in late 2018. Moody's cited the operator's improvements in cash generation, debt reduction and their anticipated growth in profits as the reasons behind the positive change.

To date, the Group has invested in a portfolio of principally freehold and virtual freehold properties let to Tesco, Sainsbury's, and Morrisons. All of the properties in the Portfolio benefit from contractual RPI-linked rental increases from long dated FRI leases, generating an average unexpired lease term of 18 years.

Investment activity

The Group acquired two supermarket stores during the year. The Morrisons store in Hillsborough, Sheffield was acquired with an unexpired lease term of 21 years with five-yearly, upward-only, RPI-linked rent reviews, compounded annually, and the Tesco Extra in

Mansfield, Nottinghamshire was acquired with an unexpired lease term of 20 years with annual, upward-only, RPI-linked rent reviews. Details of our post balance sheet acquisition can also be found below.

Our £151.1 million of overall acquisitions (including post balance sheet events) had a blended NIY of 5.1%, and a blended WAULT of 21 years, which is accretive to the portfolio yield of 4.9% and lengthens the average WAULT across the portfolio, supporting Company's ability to grow its dividend whilst enhancing the quality and diversification of the portfolio.

Our portfolio of stores comprises the properties in the table below.

Tenant	Tesco	Tesco	Sainsbury's	Tesco	Tesco	Morrisons	Tesco	Sainbury's[1]
Location	Thetford, Norwich	Lime Trees, Bristol	Ashford, Kent	Cumbernauld, North Lanarkshire	Doncaster Road, Scunthorpe	Hillsborough, Sheffield	Mansfield, Notts	Preston, Lancashire
Acquisition Date	Aug 2017	Aug 2017	Aug 2017	Dec 2017	May 2018	Jul 2018	Apr 2019	Aug 2019
Purchase Price (millions)	£43.2	£28.5	£79.8	£50.0	£53.0	£51.7	£45.0	£54.4
Valuation at 30 June 2019 (millions)	£43.4	£29.6	£84.5	£55.1	£55.7	£53.0	£46.9	£54.4
Passing annual rent (millions)	£2.64	£1.58	£3.93	£3.03	£2.98	£2.54	£2.51	£2.96
GIA (sq.ft.)	78,000	55,000	125,000	117,000	98,000	113,000	90,000	106,000
NSA (Sq.ft.)	48,000	31,000	72,000	70,000	65,000	58,000	64,000	78,000
Rent review basis	Annual RPI	Annual RPI	Annual RPI	Annual RPI	Annual RPI	5 yearly RPI	Annual RPI	Annual RPI
Lease Expiry	Dec 2029	Mar 2031	Sep 2038	Aug 2040	Aug 2040	Oct 2039	Mar 2039	Feb 2042
Tenure	Virtual freehold[2]	Virtual freehold[2]	Freehold	Virtual freehold[2]	Virtual freehold[2]	Virtual freehold[2]	Virtual freehold[2]	Freehold

1 Asset acquired post balance sheet

2 Long leasehold i.e. greater than 900 years

These omnichannel supermarket properties operate both as physical stores and online fulfilment centres. Each property is located on a large site with the potential for income and capital growth opportunities. The Portfolio benefits from highly attractive leases to strong tenant covenants (Tesco, Sainsbury's and Morrisons), with upward-only, RPI-linked rent reviews and long unexpired lease terms (weighted average 18 years).

The properties in the table above are listed chronologically in order of acquisition. Acquisitions after the year end date are described in the post balance sheet event note below.

Portfolio valuation

Cushman & Wakefield valued the Portfolio at 30 June 2019, in accordance with the RICS Valuation Global Standards July 2017. The properties were valued individually without any premium/discount applying to the Portfolio as a whole. The Portfolio market value was £368.2 million, compared with the assets' combined purchase price of £351.4 million (excluding acquisition costs). This represents an increase of £16.8 million or 4.8%, above the aggregate purchase price.

This valuation growth since the acquisition of the Portfolio reflects: (i) the supermarket operators' improving covenant strength as tenants; (ii) favourable supply and demand characteristics in the investment market; and (iii) our ability to source off-market acquisitions for Supermarket Income REIT.

With contracted rents increasing on average by 3.2% in the year and the high degree of certainty of income inherent in the Group's long leases, the Investment Adviser believes further valuation growth will be achieved in the future.

Financial results

IFRS net rental income for the year was £17.2 million (13 months to 30 June 2018: £8.9 million). Contracted RPI rent reviews in the year resulted in average rental increases of 3.2% (13 months to 30 June 2018: 3.6%) with IFRS £2.9 million rental growth contribution from new acquisitions. The strong rental growth reflects the contracted upward-only, RPI-linked rent reviews present in all of the Group's leases.

Administrative and other expenses, which include management and advisory fees and other costs of running the Group, were £3.1 million (13 months to 30 June 2018: £2.1 million) generating an EPRA cost ratio of 17.9% (13 months to 30 June 2018: 23.4%). Our EPRA cost ratio compares favourably with our peer group average of 20.2% and the reduction reflects a growing level of cost efficiency achievable as the Group continues to scale.

Financing costs for the year were £4.2million (13 months to 30 June 2018: £1.9 million) reflecting a weighted average finance cost of 2.5% (2018: 2.4%). The change in net financing costs in the year reflects the continued growth in the business. The Group's conservative leverage policy continues to maintain a healthy level of interest cover at 487% compared to the covenant at a minimum of 200%. Further information on financing and hedging is provided below.

As a result of the above, operating profit, before changes in the fair value of investment properties, as reported under IFRS, increased by 107% to £14.1 million (13 months to 30 June 2018: £6.8 million).

Change in fair values of investment properties in the year was £0.6m (13 months to 30 June 2018: £(4.1) million), which comprises £5.6 million acquisition costs offset via a £6.6 million increase in valuation and £(0.4) million rent smoothing adjustment. The Group's EPRA NAV at 30 June 2019 equates to 97 pence per ordinary share (2018: 96 pence per ordinary share).

The Group is a qualifying UK Real Estate Investment Trust ("REIT") which exempts the Group's property rental business from UK Corporation Tax. For the Period ending 30 June 2018, the Group was subject to corporation tax on its property rental business in the intervening period from incorporation on 1 June 2017 to the date of entry into the REIT regime on the 21 December 2017. During this period the Group was subject to UK corporation tax at an effective rate of 19%, resulting in a non-recurring £227,000 tax charge being recognised. The June 2018 UK corporation tax return was finalised in June 2019 and resulted in a £18,000 increase in the tax charge, being recognised in the current year, in relation to the pre-REIT regime period, due to non-deductible expenses of £94,000.

Total shareholder return generated during the year was 8.0% (13 months to 30 June 2018: 8.0%). This is measured as the growth in share price over the year of 2.5p (13 months to 30 June 2018: 2.5%), plus dividends declared for the of 5.6% (13 months to 30 June 2018: 5.5%) divided by the share price at the beginning of the financial year.

Financing and hedging

The Investment Adviser has successfully broadened the Group's debt funding relationships, adding Bayerische Landesbank in July 2018 and Deka Bank in August 2019 as lenders to the Group in addition to the Group's £100 million revolving credit facility from HSBC.

The Group has the following credit facilities:

Lender	Facility	Maturity	Credit margin	Loan commitment £m	Amount drawn at 30 June 2019 £m
HSBC	Revolving Credit Facility	Aug 2021	1.60%	100.0	92.8
Bayerische Landesbank	Term Loan	Jul 2023	1.25%	52.1	52.1
Post balance sheet events					
Deka Bank	Term loan	Aug 2024	1.35%	47.6	47.6

The Bayerische Landesbank credit facility has a credit margin of 125 basis points above three-month LIBOR and is secured against the Morrisons supermarket in Sheffield and the Sainsbury's supermarket in
Ashford. This new facility was fully hedged using an interest rate swap, thus fixing the Company's cost of
debt at 2.55% on this borrowing for the term of the facility.

Total net debt as at 30 June 2019 is £144.8 million, reflecting a net loan-to-value ("LTV") ratio of 36.3%. The Group's medium-term target is an LTV ratio of 30%-40% once the portfolio growth phase is complete.

Each loan drawn under the credit facilities requires interest payments only until maturity and is secured against both the subject property and the shares of the property-owning

entity. Each property-owning entity is either directly or ultimately owned by the Company.

The Group has negotiated significant headroom on its LTV covenants. The covenants contain a maximum 60% LTV threshold and a minimum 200% interest cover ratio for each asset in the Portfolio. As at 30 June 2019, the Group could afford to suffer a fall in property values of 34% before being in breach of its LTV covenants and, with the current hedging arrangements it has in place, it has significant interest cover headroom.

The Group has designed its debt strategy to minimise the effect of a significant rise in underlying interest rates through the use of hedging instruments. The notional value of our interest rate cap was £63.5 million at 30 June 2019, meaning that we had effectively hedged over 68% of our HSBC drawn facility. The strike of the interest rate cap is 1.75%. i.e. if three-month LIBOR rises above 1.75%, the Group's cost of debt is effectively fixed at 3.35% on the hedged notional amount (including the lenders initial margin). The notional value of the interest rate swap is £52.1 million thus fixing the Company's cost of debt on the BLB facility at 2.55% for the five year term of the facility. Our interest rate cap and interest rate swap run coterminous with the respective loan maturities. The total hedge ratio for the Group as at 30 June 2019 was 80% on drawn debt (2018: 71%).

Dividends
The Company has declared four interim dividends for the year as follows:

- On 8 October 2018, a first interim dividend of 1.375 pence per share, which was paid on 6 November 2018.
- On 8 January 2018, a second interim dividend of 1.419 pence per share, which was paid on 8 February 2019.
- On 8 April 2019, a third interim dividend of 1.419 pence per share, which was paid on 7 May 2019.
- On 8 July 2019, a fourth interim dividend of 1.419 pence per share, which was paid on 7 August 2019.

In line with its objective, the Company has declared an annualised dividend of 5.6 pence per Ordinary Share. The Group's EPRA dividend cover ratio was 90% for the year (13 months to 30 June 2018: 92%).

The Company intends to target an increase of 2.9% in the quarterly dividend from October 2019 to 1.46 pence per share (representing an increase equivalent to the published UK RPI inflation for the year).The first quarterly dividend of 1.46 pence per share expected to be declared in January 2020 and paid in February 2020. As such the Company is targeting a dividend for the year to 30 June 2020 of 5.8 pence per share.

Asset management
Five rent reviews were concluded during the year. The combination of these inflation-linked rent reviews led to an increase in rental income of £0.4 million, equivalent to a 3.2% average annualised increase in the rents for these reviewed properties. All rent reviews on the Portfolio are upward only and linked to the UK Retail Price Index with a weighted average Portfolio cap of 4%. Further information on rent reviews can be found in the Asset Management section on pages 26 to 27.

The Investment Adviser is engaged in detailed discussions with the operators of a number of the Company's sites on asset management initiatives linked to the repurposing of space and investing in green energy efficiency schemes, such as roof top solar panelling.

Post balance sheet events
On 28 August 2019, we completed the acquisition of our eighth supermarket asset, a Sainsbury's superstore in Preston, Lancashire for £54.4 million (net of acquisition costs), reflecting a net initial yield of 5.1%.

The Group has also arranged a new five-year, interest-only loan facility with Deka Bank. This £47.6 million facility has fixed coupon of 1.9% and is secured against the Sainsbury's superstore in Preston and the Tesco Extra supermarket in Mansfield, Nottingham.

Atrato Capital Limited
Investment Adviser
3 September 2019

OUR MARKET

Supermarket real estate assets represent an attractive asset class for investors seeking long dated, secure, inflation-linked income with capital appreciation potential over the longer term.

The UK grocery market
UK consumer spending on grocery has grown year-on-year since 1999. According to forecasts by IGD Retail Analysis, total spending will continue to increase by a further 12.5% in the next five years from £194 billion in 2019 to £218 billion by 2024. Tesco, Asda, Sainsbury's and Morrisons (the ''Big Four'') have a combined market share of approximately 68% and together operate more than 9,000 stores in the UK. Each of the Big Four has multi-billion-pound revenues, an established consumer brand and strong credit covenants.

http://www.rns-pdf.londonstockexchange.com/rns/9761K_1-2019-9-2.pdf

Although dominated by a few players, the grocery market is dynamic and highly competitive and has fragmented over the last 15 years, with lower-price operators (the ''discounters''), led by Aldi and Lidl, experiencing strong sales growth. The discounters continue to expand their presence by adding new stores and competing on price. This has resulted in them successfully gaining market share, though principally from the existing discounter channel rather than the Big Four.

http://www.rns-pdf.londonstockexchange.com/rns/9761K_2-2019-9-2.pdf

One of the many reasons that the Big Four have been able to protect their market dominance has been due to the nature of their underlying store portfolio. The Big Four benefitted from a first mover advantage and as a result are located in the best locations in each and every town across the UK.

The grocery sales channels continue to evolve, however the larger stores remain the bedrock of the larger operators' business models. According to IGD Retail Analysis research, supermarkets fulfil over 60% of sales in the UK, followed by convenience stores at c.21%. This trend is not expected to change over the next five years. Discounters are expected to continue to grow and ultimately define their own distinct sales channel with the discount channel representing approximately 16% of the total market by 2024.

http://www.rns-pdf.londonstockexchange.com/rns/9761K_3-2019-9-2.pdf

Supermarket property

Lease structures
Supermarket lease agreements are often long dated and index-linked. Original lease tenures range from 20 to 30 years without break options. Rent reviews link the growth in rents to an inflation index such as RPI, RPIX or CPI (with caps and floors), or, alternatively, may have a fixed annual growth rate. Such rent reviews take place either annually or every five years, with the rent review delivering an increase in the rent at the growth rate, compounded over the period.

Landlords often benefit from "full repairing and insuring leases". These are lease agreements whereby the tenant is obligated to pay all taxes, building insurance, other outgoings and repair and maintenance costs on the property, in addition to the rent and service charge. Under such a lease, the tenant is responsible for all costs associated with the repair and maintenance of the building.

Operators will typically have the option to acquire the leased property at the lease maturity date at market value. Furthermore, to ensure that the operator does not transfer its lease obligation to other parties, assignment of the lease is often prohibited.

Investment yields
Supermarket property has a long record of positive total returns underpinned by strong income returns due in part to the long length of lease commitments, upward-only rent review growth and strong occupier covenants.

Investment yields on supermarket property have consistently been lower than UK all-property yields and reached a low of 4.3% in 2007. However, since 2013, the market dynamics have changed: in contrast to most other long-income property yields, the supermarket sector has experienced a negative yield shift with yields increasing by 20% from March 2007 to March 2019.

http://www.rns-pdf.londonstockexchange.com/rns/9761K_4-2019-9-2.pdf

Supermarket yields have now been trading at higher yields than UK all-property since 2015. Over the last five years the distribution warehouse subsector of the property market has seen a significant compression in yields. Distribution warehouses are fundamentally performing a different role to supermarkets in the supply chain. However, the Investment Adviser believes there are certain similarities in areas such as online sales, with supermarkets fulfilling online deliveries out of their larger omnichannel stores. Despite these similarities, there has been a significant difference in how the underlying property yields of the two sectors have performed.

The grocery sector is now entering a period of increased stability. Competition remains high among operators, but multiple datapoints during 2018/19 suggest a more stable margin environment. In June Moody's Investors Services upgraded Tesco plc back to investment grade following the actions of Fitch Ratings who raised them to the same level in late 2018 citing the operator's improvements in cash generation, debt reduction and their anticipated growth in profits as the reasons behind the positive change. In addition, they believe that Tesco will cement its position as the dominant UK grocer and further deleverage its balance sheet.

In this current climate, the Investment Adviser believes that secure, long-income supermarket property leases with index-linked rent can be acquired at attractive investment yields.

Inflation protection
The Investment Adviser believes that currently, real estate markets are undervaluing the inflation protection characteristics embedded in supermarket leases when compared to other comparable inflation-linked products, such as UK index-linked gilts. UK index-linked gilts have traded at negative real yields since 2013.

Opportunities for asset management
In addition to current rental yields, supermarket property has further potential for asset management upside opportunities to enhance total shareholder returns. These multiple asset management opportunities can be categorised into two distinct segments:

Light asset management
Light asset management typically involves small-scale changes and improvements to a building which require limited additional capital and/or planning approvals. Examples include investing in green energy efficiency schemes, such as energy efficient lighting, solar paneling, battery capture and storage and combined heat and power. These types of schemes may provide incremental additional returns for investors on a risk-adjusted basis, but, importantly, can also assist the underlying operator in meeting certain strategic objectives in areas such as sustainability targets.

Repurposing space
The repurposing of space allows operators to maximise the value of their building and potentially increase underlying footfall or revenues per square foot by adding new customer offerings or facilities in or around the store. Repurposing space typically requires an increased level of interaction with the operator and an element of planning approval. However, the primary use of the majority of the asset is not expected to change. Examples include adding restaurants, cafes and drive-through facilities on excess car parking or adapting some of the existing store for alternative use such as click-and-collect facilities.

The Company will engage and work closely with its tenants on all available asset management opportunities with a view to enhancing long-term shareholder returns by increasing cash yields from light asset management and repurposing, and, where appropriate over the longer term, releasing development profit opportunities from heavy asset management.

Supply and demand
After a period of material expansion in store numbers since 2000, the Big Four have substantially completed their store growth plans and are now in a consolidation phase.

Few new large properties are being developed by the operators and the strategic focus has generally shifted from creating new assets to increasing efficiencies on the supply side, meeting customer concerns with an improved shopping experience and further diversification in brands, merchandise and sales channels.

The effect of this shift in strategic focus has been an end to sale-and-leaseback transactions involving the Big Four and, therefore, there has been a decline in the number of assets being offered to the investment market. Indeed, in a reversal of recent trends, Tesco has now become a net buyer of stores, spending around £1.2 billion[5] on store buybacks since 2015 to date.

The Investment Adviser believes that operator buybacks will continue to be a key theme in the investment market, as changes to accounting rules through IFRS 16 mean that reducing existing lease commitments will be an increasingly attractive way for the operators to strengthen their underlying balance sheet. IFRS 16 effectively requires all rental obligations to be capitalised on a balance sheet as a financing liability and then expensed as a finance cost rather than rental expense in the income statement.

Demand for supermarket assets has been consistently strong. According to Colliers International, both 2018 and 2019 each saw more than £1 billion of secondary market transactions take place with institutional investment activity up 29% in 2019. Other than the transactions carried out by the Company, the majority of this activity arose from operators seeking to buy back stores and overseas investors who appear to have taken advantage of the decline in sterling exchange rates and attractive asset pricing.

The Investment Adviser believes that the reduced supply of new stock from operators combined with a growing demand for supermarket assets will generate favourable supply and demand dynamics and therefore trigger a long-term compression in yields closer to those for the UK commercial property, with a corresponding increase in supermarket property asset values.

[5] Property Data 2019. Includes securitisation buy backs

IMPLEMENTING THE GROUP'S INVESTMENT POLICY

The supermarket property sector remains highly attractive and we continue to demonstrate our ability to source attractively priced, high-quality supermarket property benefiting from inflation-linked, upward-only rent reviews, to strong tenant covenants to deliver value for our shareholders.

Investing in the future model of UK grocery

A cornerstone of our investment strategy is to target future-proofed supermarkets known as omnichannel supermarkets. These supermarkets operate as both physical stores and online fulfilment centres, representing one of the most attractive asset classes within the real estate sector.

In the 22 years since Tesco introduced the UK's first nationwide online grocery platform in 1997, UK grocers have pioneered the development of this omnichannel business model which seamlessly integrates both in-store and online demand across the UK creating world-leading last-mile grocery fulfilment platform.

This new type of property has become the nucleus for last-mile grocery fulfilment, representing the crucial infrastructure that is integrating online and traditional in-store sales, with characteristics not evident in other forms of real estate, namely:

- modern flexible buildings adapted to operate both in-store and online operations, accommodating multiple loading bays, refrigeration units and home delivery vehicles
- situated in population centres close to consumers
- strategically located close to major road networks, allowing efficient goods inward stocking, distribution of home deliveries and convenient access to click and collect facilities

- large floor areas, capable of housing a full range of fresh groceries and providing scale economies for the operator

The success of the omnichannel grocery model has resulted in pure-play online retailers adopting the omnichannel format. Examples of this trend are Amazon's purchase of Whole Foods in the US and Alibaba's Hema omnichannel grocery store network in China.

Online-only grocery warehouses (known as "dark stores" or "Customer Fulfilment Centres") will continue to play an important role in optimising online fulfilment in very high population density cities, such as London. However, away from megacities there is now a global convergence on the future model of grocery being an omnichannel store. As a result, both pure-play online and traditional bricks-and-mortar retailers are increasingly relying on supermarket real estate, generating significant scope for rental and valuation growth in the longer term.

Optimising portfolio value
Our deep understanding of where and how each of our grocery stores fits both within the national store network and the micro catchment area is key to our investment decision. A good example of this is our Tesco Store in Thetford, acquired in 2017, which had significant potential given local housing shortages and nearby planning consent to build 5,000 homes and associated infrastructure. We are delighted to see the first phase being completed directly adjacent to the store, which ultimately re-positions this Tesco store in the centre of the significantly enlarged town, enhancing the re-gear potential of the supermarket and the long-term value of the underlying real estate.

Capitalising on the depth of our relationship with occupiers is a key part of our overall strategy. Our regular programme of operator engagement at all levels of the organistation allows us to identify opportunities to enhance our sites and generate additional income to increase capital values. An example of this is providing environmentally sustainable supermarkets to support carbon reduction efforts, better returns for investors and lower running costs for occupiers.

During the year, we have performed extensive due diligence on the opportunity to install on-site decarbonised energy producing plant across our estate. To date we have commenced District Network Operator (DNO) applications for the installation of extensive rooftop photovoltaic panels covering over 70% of the total GIA of our estate. Through green energy investment, we not only generate an income producing asset but also reduce costs for our tenants whilst also assisting their transition to a lower carbon emission future.

A good example of this is our Tesco store in Thetford, where we have received approval from the DNO for the installation of a 400 kwp solar array which can supply power direct to the store. This investment will enhance the environmental sustainability of the site whilst also generating additional income stream for Supermarket Income REIT, enhancing the long-term capital value of the site.

We continue to explore the repurposing of space that allows operators to maximise the value of their building and, potentially, increase underlying footfall or revenues per square foot by adding new customer offerings or facilities in or around the store. Repurposing space typically requires an increased level of interaction with the operator and an element of planning approval. However, the primary use of the majority of the asset is not expected to change. Examples include adding restaurants, cafes and drive-through facilities on excess car parking or adapting some of the existing store for alternative use such as click-and-collect facilities.

OUR PRINCIPAL RISKS

The Board of the Company and JTC Global AIFM Solutions Limited, the Company's Alternative Investment Fund Manager (the "AIFM"), together have joint overall responsibility for the Company's risk management and internal controls, with the Audit Committee reviewing the effectiveness of the Board's risk management processes on its behalf.

We aim to operate in a low-risk environment, focusing on a single sector of the UK real estate market. The Board and the AIFM therefore recognise that effective risk management is key to the Group's success. Risk management ensures a defined approach

to decision making that seeks to decrease the uncertainty surrounding anticipated outcomes, balanced against the objective of creating value for shareholders.

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the forthcoming financial year and could cause actual results to differ materially from expected and historical results.

The matrix below illustrates our assessment of the impact and the probability of the principal risks identified. The rationale for the perceived increases and decreases in the risks identified is contained in the commentary for each risk category.

http://www.rns-pdf.londonstockexchange.com/rns/9761K_5-2019-9-2.pdf

Property Risk

1. The lower-than-expected performance of the Portfolio could reduce property valuations and/or revenue, thereby affecting our ability to pay dividends or lead to a breach of our banking covenants

Probability:	Impact:	Mitigation
Low	**Moderate** An adverse change in our property valuations may lead to breach of our banking covenants. Market conditions may also reduce the revenues we earn from our property assets, which may affect our ability to pay dividends to shareholders. A severe fall in values may result in us selling assets to repay our loan commitments, resulting in a fall in our net asset value.	Our property portfolio is 100% let with long weighted average unexpired lease terms and an institutional-grade tenant base. All the leases contain upward-only rent reviews which are inflation linked. These factors help maintain our asset values. We manage our activities to operate within our banking covenants and constantly monitor our covenant headroom on loan to value and interest cover.

2. Our ability to source assets may be affected by competition for investment properties in the supermarket sector

Probability:	Impact:	Mitigation
Low	**Moderate** The Company faces competition from other property investors. Competitors may have greater financial resources than the Company and a greater ability to borrow funds to acquire properties.	The Investment Adviser has extensive contacts in the sector and we often benefit from off-market transactions. They also maintain close relationships with a number of investors and agents in the sector, giving us the best possible opportunity to secure future acquisitions for the Group. We are not exclusively reliant on acquisitions to grow the portfolio. Our leases contain upward-only rent review clauses, which mean we can generate additional income and value from the current portfolio. We also have the potential to add value through asset management and we are actively exploring opportunities for all our sites.

3. The default of one or more of our lessees would reduce revenue and may affect our ability to pay dividends

Probability:	Impact:	Mitigation
Low	**High** Our focus on supermarket property means we directly rely	Our investment policy requires the Group to derive at least 60% of its rental income from a portfolio let to the largest four supermarket operators in the UK by

	on the performance of UK supermarket operators. Insolvencies could affect our revenues earned and property valuations.	market share. Focusing our investments on assets let to tenants with strong financial covenants and limiting exposure to smaller operators in the sector decreases the probability of a tenant default. Before investing, we undertake a thorough due diligence process with emphasis on the strength of the underlying covenant and receive a recommendation on any proposed investment from the AIFM. All our leases are either guaranteed by the parent company in the operator group or are a direct obligation of the main UK operating entity of the operator group. We select assets that have strong property fundamentals (good location, large sites with low site cover) and which should be attractive to other occupiers or have strong alternative use value should the current occupier fail.

Financial Risk

4. Our use of floating rate debt will expose the business to underlying interest rate movements

Probability:	**Impact:**	**Mitigation**
Low	**Low** Interest on the majority of our debt facilities is payable based on a margin over LIBOR. Any adverse movements in LIBOR could significantly impair our profitability and ability to pay dividends to shareholders.	We have entered into interest rate derivative contracts to partially mitigate our direct exposure to movements in LIBOR, by capping our exposure to LIBOR increases. We aim to prudently hedge our LIBOR exposure, by utilising hedging instruments with a view to keeping the overall exposure at an acceptable level.

5. A lack of debt funding at appropriate rates may restrict our ability to grow

Probability:	**Impact:**	**Mitigation**
Low	**Low** Without sufficient debt funding we may be unable to pursue suitable investment opportunities in line with our investment objectives. If we cannot source debt funding at appropriate rates, this will impair our ability to maintain our targeted level of dividend.	Before we contractually commit to buying an asset, we enter discussions with our lenders to get outline heads of terms on debt financing, which ensures that we can borrow against the asset and maintain our borrowing policy. The Board keeps our liquidity and gearing levels under review. We have recently broadened our lender base, entering banking facilities with a new lender. This has created new banking relationships for us with the aim of keeping lending terms as competitive as possible. Supermarket property should remain popular with lenders, owing to long leases and letting to single tenants with strong financial covenants.

6. We must be able to operate within our banking covenants

Probability:	**Impact:**	**Mitigation**
Low	**Moderate** If we were unable to operate within our banking covenants, this could lead to default and our bank funding being recalled.	We and the AIFM continually monitor our banking covenant compliance to ensure we have sufficient headroom and to give us early warning of any issues that may arise. We will enter into interest rate caps and swaps to mitigate the risk of interest rate rises

and also invest in assets let to institutional grade covenants.

Corporate Risk

7. There can be no guarantee that we will achieve our investment objectives

Probability:	Impact:	Mitigation
Low	**Low** Our investment objectives include achieving the dividend and total returns targets. The amount of any dividends paid or total return we achieve will depend, among other things, on successfully pursuing our investment policy and the performance of our assets. Future dividends are subject to the Board's discretion and will depend, on our earnings, financial position, cash requirements, level and rate of borrowings, and available profit.	At 30 June 2019, we had acquired seven supermarket assets that meet our investment criteria. The Investment Adviser's significant experience in the sector should continue to provide us with access to assets that meet our investment criteria going forward as evidenced by the acquisition of an eighth asset after the balance sheet date. Rental income from our current portfolio, coupled with our hedging policy, supports the current 5.8 pence per share dividend target. Movement in capital value is subject to market yield movements and the ability of the Investment Adviser to execute asset management strategies.

8. We are reliant on the continuance of the Investment Adviser.

Probability:	Impact:	Mitigation
Low	**Moderate** We rely on the Investment Adviser's services and reputation to execute our investment strategy. Our performance will depend to some extent on the Investment Adviser's ability and the retention of its key staff.	Unless there is a default, either party may terminate the Investment Advisory Agreement by giving not less than 12 months' written notice, which may not be given before the fifth anniversary of the IPO. The Board regularly reviews and monitors the performance of the Investment Adviser. The interests of the Company and the Investment Adviser are aligned due to (a) key staff of the Investment Adviser having significant personal equity investments in the Company and (b) any fees paid to the Investment Adviser in shares of the Company are to be held for a minimum period of 12 months. The Board can pay up to 25% of the Investment Adviser fee in shares of the Company. In addition, the Board meets regularly with the Investment Adviser to ensure we maintain a positive working relationship and the AIFM receives and reviews regular reporting from the Investment Adviser and reports to the Company's Board on the Investment Adviser's performance. The AIFM also reviews and makes recommendation to the Company's Board on any investments or significant asset management initiatives proposed by the Investment Adviser.

Taxation Risk

9. We operate as a UK REIT and have a tax-efficient corporate structure, with advantageous consequences for UK shareholders. Any change to our tax status or in UK tax legislation could affect our ability to achieve our investment objectives and provide favourable returns to shareholders

Probability:	Impact:	Mitigation
Low	**Moderate**	The Board takes direct responsibility for ensuring we

	If the Company fails to remain a REIT for UK tax purposes, our profits and gains will be subject to UK corporation tax.	adhere to the UK REIT regime by monitoring the REIT compliance. The Board has also engaged third-party tax advisers to help monitor REIT compliance requirements and the AIFM also monitors compliance by the Company with the REIT regime.

Political Risk

10. European Union exit without EU trade deal ("Brexit")

Probability:	**Impact**:	**Mitigation**
High	**Low** The vote in June 2016 to leave the European Union has resulted in political and economic uncertainty that could have a negative effect on the performance of the Group. Until the terms of the settlement with the European Union become clearer the exact outcome on the business is difficult to predict at this stage.	The Group operates with a focus on the UK supermarket sector. It is currently well positioned with long term secure leases to institutional-grade tenants with strong balance sheets and well placed to withstand any downturn in the UK economy.

Market Price Risk

11. Shareholders may not be able to realise their shares at a price above or the same as they paid for the shares or at all

Probability:	**Impact:**	**Mitigation**
Moderate	**Moderate** Although the Company's Ordinary Shares have to date traded in a relatively narrow range closely related to the price at which they were issued, this is largely a function of supply and demand for the Ordinary Shares in the market and cannot therefore be controlled by the Board. Shareholders who wish to sell their Ordinary Shares may be obliged to sell their Ordinary Shares at a significant discount or may not be able to sell them at all.	The Company may seek to address any significant discount to NAV at which its Ordinary Shares may be trading by purchasing its own Ordinary Shares in the market on an ad hoc basis. The Directors have the authority to make market purchases of up to 14.99 per cent of the Ordinary Shares in issue as at IPO. Ordinary Shares will be repurchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining shareholders. It is intended that a renewal of the authority to make market purchases will be sought from shareholders at each annual general meeting of the Company. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Investors should note that the repurchase of Ordinary Shares is entirely at the discretion of the Board and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be repurchased.

Going concern

The Board regularly monitors the Group's ability to continue as a going concern. Included in the information reviewed at quarterly Board meetings are summaries of the Group's liquidity position, compliance with loan covenants and the financial strength of its tenants. Based on this information, the Directors are satisfied that the Group and Company are able to continue in business for the foreseeable future and therefore have adopted the going concern basis in the preparation of this financial statement.

Viability statement

The Board has assessed the prospects of the Group over the five years from the balance sheet date to 30 June 2024, which is the period covered by the Group's longer term

financial projections. The board considers five years to be an appropriate forecast period since, although the Group's contractual income extends beyond five years, the availability of finance and market uncertainty reduces the overall reliability of forecast performance over a longer period.

The Board considers the resilience of projected liquidity, as well as compliance with secured debt covenants and UK REIT rules, under a range of RPI and property valuation assumptions.

The principal risks and the key assumptions that were relevant to this assessment are as follows:

Risk	Assumption
Tenant risk	Tenants (or guarantors where relevant) continue to comply with their rental obligations over the term of their leases and do not suffer any insolvency events over the term of the review.
Borrowing risk	The Group continues to comply with all relevant loan covenants. The Group is able to refinance the £100.0 million RCF falling due in August 2021 and the £52.1 million Term Loan falling due in July 2023 on acceptable terms.
Liquidity risk	The Group continues to generate sufficient cash to cover its costs while retaining the ability to make distributions.

Based on the work performed, the Board has a reasonable expectation that the Group will be able to continue in business over the five year period of its assessment.

Other disclosures
Disclosure in relation to the Company's business model and strategy have been included within the Investment Adviser's report on pages 14 to 19. Disclosures in relation to the main industry trends and factors that are likely to affect the future performance and position of the business have been included within Our Market on pages 20 to 25. Disclosures in relation to environmental and social issues have been included within Corporate Social Responsibility on pages 36 to 37. Employee diversity have not been included as the Directors' do not consider these to be relevant to the Company.

Key Performance Indicators (KPIs)
The KPIs used by the Group in assessing its strategic progress have been included within the Chairman's Statement on pages 4 to 6, the Investment Adviser's report on pages 14 to 19 and the supplementary information on pages 81 to 85.

The Strategic Report, which comprises the Chairman's Statement, Achievements in Brief, Our Portfolio, Investment Adviser's Report, Our Market and Our Principal Risks section in the Annual Report was signed on behalf of the Board on 3 September 2019.

Nick Hewson
Chairman
3 September 2019

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to delivering its strategic objectives in an ethical and responsible manner and meeting its corporate responsibilities towards society and the environment. The Company's environmental and social policies address the importance of these issues in the day-to-day running, as detailed below.

Environmental policy
The Board's responsibility to society is broader than simply generating financial returns for shareholders and the Board ensures the Investment Adviser acts responsibly in the areas it can influence as a landlord, for example by working with tenants to improve the environmental performance of the Company's assets and minimise their impact on climate change. The Board believes that following this strategy will ultimately be to the benefit of shareholders through enhanced asset values.

The investment properties are let on full repairing and insuring leases, meaning its day-to-day environmental responsibilities are limited as properties are controlled by the tenants. We do not purchase any utilities and we cannot use the lease terms to influence how the tenant operates. As a result, we do not submit performance data to benchmarking indices

such as the Global Real Estate Sustainability Benchmark. However, the Board and Investment Adviser adopt sustainable principles where possible and the key elements of the Company's environmental policy are:

- We want our properties to minimise their impact on the local and wider environment. We carefully consider the environmental performance of assets before we acquire them, including obtaining an independent environmental report and energy performance certificate ("EPC") for all potential acquisitions, which considers, amongst other matters, the historical and current usage of the site and the extent of any contamination present. This report may lead to further enquiries of the vendor, surveyor or legal teams and is considered by the Investment Committee of the Investment Manager when approving the acquisition;

- Sites are visited periodically and any obvious environmental issues are reported to the Board.

- We perform extensive due diligence on the opportunity to install on-site decarbonised energy producing plant on each acquisition. To date we have completed District Network Operator ("DNO") applications for the installation of extensive rooftop photovoltaic panels covering over 70% of the total gross internal area of our estate.

All of our tenants have broad and deep corporate responsibility targets and we continue to encourage and engage with them, so we can work together to understand their property requirements and provide environmentally efficient Supermarkets which suit their needs. Examples include investing in green energy efficiency schemes, such as energy efficient lighting, solar, battery capture and storage and combined heat and power. These types of schemes may provide incremental additional returns for investors on a risk-adjusted basis, but, importantly, can also assist the underlying operator in meeting certain strategic objectives in areas such as sustainability targets.

Social policy
Our assets provide important benefits to their local communities. They offer employment, often in areas where traditional industries have declined, boosting the local economy. They also support economic activity more broadly, by underpinning our tenants' efficient operation and helping them succeed.

DIRECTORS' REPORT
The Directors present their report together with the audited financial statements for the year ended 30 June 2019.

Results and dividends
The results for the year are set out in the attached financial statements. It is the policy of the Board to declare and pay dividends as quarterly interim dividends. During the year and subsequently, the following interim dividends amounting to aggregate 5.558 pence per share were declared:

Date declared	Amount per share (pence)	Date paid
17 July 2018	1.375	23 August 2018
08 October 2018	1.375	6 November 2018
08 January 2019	1.419	8 February 2019
08 April 2019	1.419	7 May 2019
08 July 2019	1.419	7 August 2019

Dividend policy
Subject to market conditions and performance, financial position and outlook, it is the Directors' intention to pay an attractive level of dividend income to shareholders on a quarterly basis. The Company intends to grow the dividend progressively through investment in supermarket properties with upward-only, inflation-protected, long-term lease agreements.

Principal activities and status
Supermarket Income REIT plc (the "Company" or "Group") is registered as a public limited company under the Companies Act 2006. It is an Investment Company as defined by

Section 833 of the Companies Act 2006 and has been established as a closed-ended investment company with an indefinite life. The Company has a single class of shares in issue which are traded on the Specialist Fund segment of the London Stock Exchange's Main Market. The Group has entered the Real Estate Investment Trust (REIT) regime for the purposes of UK taxation.

The Company is a member of the Association of Investment Companies (the "AIC").

Strategy and investment policy
The strategy and investment objectives of the Group are set out in the Strategic Report on pages 20 to 27.

Risk management and internal control
The Board is responsible for financial reporting and controls, including the approval of the Annual Report and Accounts, the dividend policy, any significant changes in accounting policies or practices, and treasury policies including the use of derivative financial instruments. During the year the Board has carried out a robust assessment of the principal risks facing the Group and how they are being mitigated, as described in the Strategic Report on pages 28 to 35.

In light of the Group's current position and principal risks, the Board has assessed the prospects of the Group for a period of 12 months from the date of this Annual Report, reviewing the Group's liquidity position, compliance with loan covenants and the financial strength of its tenants, together with forecasts of the Group's future performance under various scenarios. The Board has concluded there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over that period. The Board has also assessed the prospects of the Group over a longer period than the going concern review and has a reasonable expectation that the Group will be able to continue in business over the five year period examined in that assessment.

The Board is also responsible for the internal controls of the Group, including operational and compliance controls and risk management systems, which are documented in a Board memorandum. We have contractually delegated responsibility for administrative, accounting and secretarial services to the Administrator ("JTC"). JTC have their own internal control systems relating to these matters. The Board and the Investment Adviser have together reviewed all financial performance and results notifications. Non-financial internal controls include the systems of operational and compliance controls maintained by JTC. As with any risk management system, the Group's internal control framework is designed to manage risk but cannot give absolute assurance that there will never be any material misstatement or loss. The Board has reviewed the risk management and internal control framework in the year and believes it to be working effectively.

The Board has considered the appropriateness of establishing an internal audit function and, having regard to the relatively simple nature of the Group's operations and the likely cost of such a function, has concluded that it is not necessary at this stage.

The Board meets at least every quarter to review the Group's performance against its strategic aims, objectives, business plans and budgets and ensures that any corrective action considered necessary is taken. Additional meetings are held as required to deal with the business of the Group in a timely manner.

Directors are expected to attend all meetings of the Board and all meetings of those committees on which they sit, as well as the Annual General Meeting (the "AGM"). Meetings called outside the scheduled quarterly Board meetings may need to be convened at relatively short notice and therefore at times when not every Director is available. Every meeting during the year has however been correctly convened with an appropriate quorum.

Details of Directors' attendance at each of the scheduled Board and Committee meetings during the year are set out below:

Director	Audit Committee	Quarterly Board
Nick Hewson	N/A	3/3
Vince Prior	2/2	3/3
Jon Austen	2/2	3/3

All Directors attended the Company's AGM held on 6 November 2018.

Directors
All three Directors retired and were re-elected at the AGM on 6 November 2018. In accordance with the Articles of Association, all Directors are required to retire and seek re-election at least every three years. Although not required by the Company's Articles of Association, the Company is choosing to comply voluntarily with the provision of the UK Corporate Governance Code requiring all directors of FTSE 350 companies to be subject to annual election. All three Directors retire at each AGM and those eligible and wishing to serve again offer themselves for election.

The Company maintains £10 million of Directors' and Officers' Liability Insurance cover for the benefit of the Directors, which was in place throughout the year and which continues in effect at the date of this report.

Directors' interests
The beneficial interests of the Directors and their families in the Ordinary shares of the Company as at 30 June 2019 were as follows:

	Number of shares	Percentage of issued share capital
Nick Hewson	380,000	1.58%
Jon Austen	99,000	0.41%
Vince Prior	55,431	0.23%

Significant shareholdings
As at 6 August 2019 the Directors have been notified that the following shareholders have a disclosable interest of 3% or more in the ordinary shares of the Company:

	Number of shares	Percentage of issued share capital
Quilter Cheviot Investment Management	26,649,757	11.11%
Smith & Williamson Investment Management	16,842,839	7.02%
BMO Global Asset Management	14,842,500	6.19%
Premier Fund Management	14,410,770	6.01%
West Yorkshire Pension Fund	14,166,291	5.91%
Cannacord Genuity Wealth	14,001,484	5.84%
Close Asset Management	13,595,957	5.67%
River & Mercantile Asset Management	13,525,280	5.64%
TR Property Investment Trust	11,289,711	4.71%
Ruffer	9,310,994	3.88%
Miton Asset Management	8,090,603	3.37%
Brooks Macdonald Asset Management	7,768,953	3.24%
Charles Stanley	7,473,334	3.12%

Political contributions
The Group made no political contributions during the year (13 months to June 2018: none).

Greenhouse gas emissions reporting
The Board has considered the requirement to disclose the Company's measured carbon emissions sources under the Companies Act 2006 (Strategic report and Director's report) Regulations 2013.

During the year ended 30 June 2019:

- performed extensive due diligence on the opportunity to install on-site decarbonised energy producing plant across our estate. To date we have commenced District Network Operator (DNO) applications for the installation of extensive rooftop photovoltaic panels covering over 70% of the total GIA of our estate. Through green energy investment, we not only generate an income producing asset but also reduce costs for our tenants whilst also assisting their transition to a lower carbon emission future

- any emissions from the Group's properties have been the tenant's responsibility rather than the Group's, so the principle of operational control has been applied;
- any emissions that are either produced from the Company's registered office or from offices used to provide administrative support are deemed to fall under the Investment Adviser and Investment Manager's responsibility; and
- the Group has not leased or owned any vehicles which fall under the requirements of Mandatory Emissions Reporting.

As such, the Board believes that the Company has no reportable emissions for the year ended 30 June 2019 (13 month to June 2018: none).

Employees
The Group has no employees and therefore no employees share scheme or policies for the employment of disabled persons or employee engagement.

Post balance sheet events
On 28 August 2019, the Group completed the acquisition of its eighth supermarket asset, a Sainsbury's superstore in Preston, Lancashire with an unexpired lease term of 23 years, for £54.4 million (net of acquisition costs), reflecting a net initial yield of 5.1%.

The Group has also arranged a new £47.6 million debt facility and an uncommitted £40 million accordion option provided by Deka Bank, fixed at 1.9% for the five year term of the facility. The accordion option allows the Group to expand the £48.1m debt by a further £40 million subject to Deka Bank credit approval.
Other disclosures
Disclosures of financial risk management objectives and policies and exposure to financial risks are included in note 16 to the financial statements. Details of future developments are included in the Strategic Report on pages 1 to 10.

Disclosure of information to auditor
All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

Auditor
BDO LLP was appointed as auditor by the Directors in June 2017 and was re-appointed as auditor by the Company's shareholders at the AGM held on 6 November, 2018. BDO LLP have expressed their willingness to continue as auditor for the financial year ending 30 June 2020. A resolution to appoint BDO LLP as auditor of the Company will be proposed at the forthcoming AGM.

Signed by order of the Board on 3 September 2019.

Nick Hewson
Chairman
3 September 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

The UK Companies Act 2006 requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and the Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Company is required to make the Annual Report and Accounts available on a website. The Company's website address is www.SupermarketIncomeREIT.co.uk. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from such legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Responsibility Statement
The Directors confirm to the best of their knowledge:

- The Group financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Article 4 of the IAS Regulation, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.
- The Annual Report and Accounts include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.
- The Annual Report and Accounts taken as whole, is fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess the Group's performance, business model and strategy.

This Responsibility Statement was approved by the Board of Directors and is signed on its behalf by:

Nick Hewson
Chairman
3 September 2019

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT

Background
The Alternative Investment Fund Manager's Directive ("AIFMD") came into force on 22 July 2013. The objective of the AIFMD was to ensure a common regulatory regime for funds

marketed in or into the EU which are not regulated under the UCITS regime. This was primarily for investors' protection and also to enable European regulators to obtain adequate information in relation to funds being marketed in or into the EU to assist their monitoring and control of systemic risk issues.

The AIFM is a non-EU AIFM, although the Company is an EU Alternative Investment Fund (an "AIF") and the Company is marketed into the EU, primarily the United Kingdom. Although the AIFM is a non-EU AIFM, so the depositary rules in Article 21 of the Alternative Investment Fund Managers Directive (the "AIFMD") do not apply, the transparency requirements of Articles 22 (Annual report) and 23 (Disclosure to investors) of the AIFMD do apply to the AIFM and therefore to the Company. In compliance with those articles, the following information is provided to the Company's shareholders by the AIFM.

1. Material Changes in the Disclosures to Investors
During the financial year under review, there were no material changes to the information required to be made available to investors before they invest in the Company under Article 23 of the AIFMD from that information set out in the Company's prospectus dated 25 April 2018 (comprising the registration document, summary and securities note), save as updated in the Summary and Securities Note published on 12 March 2019 and as disclosed below and in the Strategic Report, which comprises the Chairman's Statement, Achievements in Brief, Our Portfolio, Investment Adviser's Report, Our Market and Our Principal Risks sections in this Annual Report and Accounts.

2. Risks and Risk Management Policy
The current principal risks facing the Company and the main features of the risk management systems employed by AIFM and the Company to manage those risks are set out in the Strategic Report and in notes 16 and 18 to the financial statements.

3. Leverage and borrowing
The Company is entitled to employ leverage in accordance with its investment policy and as described in the sections entitled "Debt Financing" in the Chairman's Statement and "Financing and Hedging" in the Investment Adviser's Report and in notes 17 and 25 to the financial statements. Other than as disclosed therein, there were no changes in the Company's borrowing powers and policies.

4. Remuneration of the AIFM's Directors and Employees
During the financial year under review, no separate remuneration was paid by the AIFM to its executive directors, James Tracey and Graham Taylor, because they were both employees of the JTC group of companies, of which the AIFM forms part. Matthew Tostevin is a non-executive director and is paid a fixed fee of £10,000 for acting in such capacity. Other than the directors, the AIFM has no employees. The Company has no agreement to pay any carried interest to the AIFM.

5. Remuneration of the AIFM Payable by the Company
The AIFM was during the period under review paid a fee of 0.04% *per annum* of the net asset value of the Company, subject to a minimum of £50,000 per annum. The total fees paid to the AIFM during the year under review were £79,000.

Graham Taylor
JTC Global AIFM Solutions Limited
Alternative Investment Fund Manager
3 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Notes	1 July 2018 to 30 June 2019 £'000	1 June 2017 to 30 June 2018 £'000
Rental income	4	17,231	8,942
Administrative and other expenses	5	(3,088)	(2,097)
Operating profit before changes in fair value of investment properties		**14,143**	**6,845**
Changes in fair values of investment properties	12	647	(4,081)
Operating profit		**14,790**	**2,764**

Finance expense	8	(4,180)	(1,917)
Profit before taxation		**10,610**	**847**
Tax charge for the year/period	9	(18)	(227)
Profit for the year/period		**10,593**	**620**
Items to be reclassified to profit or loss in subsequent periods			
Changes in fair value of interest rate derivatives	16	(1,121)	(82)
Total comprehensive income for the year/ period		**9,471**	**538**
Total comprehensive income for the year/period attributable to ordinary shareholders		**9,471**	**538**
Earnings per share - basic and diluted	10	5.3 pence	0.5 pence

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	As at 30 June 2019 £'000	As at 30 June 2018 £'000
Non-current assets			
Investment properties	12	368,230	264,900
Interest rate derivatives	16	-	37
Total non-current assets		**368,230**	**264,937**
Current assets			
Trade and other receivables	14	3,521	1,035
Cash and cash equivalents		9,898	2,239
Total current assets		**13,419**	**3,274**
Total assets		**381,649**	**268,211**
Non-current liabilities			
Bank borrowings	17	143,708	88,099
Interest rate derivatives	16	1,113	-
Total non-current liabilities		**144,821**	**88,099**
Current liabilities			
Deferred rental income		3,543	1,666
Corporation tax liability		245	227
Trade and other payables	15	2,570	1,473
Total current liabilities		**6,358**	**3,366**
Total liabilities		**151,179**	**91,465**
Net assets		**230,470**	**176,746**
Equity			
Share capital	19	2,398	1,844
Share premium reserve	19	203,672	149,039
Capital reduction reserve	19	14,391	25,325
Retained earnings		11,212	620
Cash flow hedge reserve		(1,203)	(82)
Total equity		**230,470**	**176,746**
Net asset value per share - basic and diluted	23	96 pence	96 pence
EPRA NAV per share	23	97 pence	96 pence

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 3 September 2019 and were signed on its behalf by:

Nick Hewson
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year 1 July 2018 to 30 June 2019

	Share capital £'000	Share premium reserve £'000	Cash flow hedge reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
As at 1 July 2018	**1,844**	**149,039**	**(82)**	**25,325**	**620**	**176,746**
Comprehensive income for the year	-	-	-	-	-	-
Profit for the year	-	-	-	-	10,593	10,593
Other comprehensive income	-	-	(1,121)	-	-	(1,122)
Total comprehensive income for the year	**-**	**-**	**(1,121)**	**-**	**10,593**	**9,471**
Transactions with owners						
Ordinary shares issued at a premium during the year	554	55,695	-	-	-	56,249
Share issue costs	-	(1,062)	-	-	-	(1,062)
Interim dividends paid	-	-	-	(10,934)	-	(10,934)
As at 30 June 2019	**2,398**	**203,672**	**(1,203)**	**14,391**	**11,212**	**230,470**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period 1 June 2017 to 30 June 2018

	Share capital £'000	Share premium reserve £'000	Cash flow hedge reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
As at 1 June 2017						
Comprehensive income for the period						
Profit for the period	-	-	-	-	620	620
Other comprehensive income	-	-	(82)	-	-	(82)
Total comprehensive income for the period	-	-	(82)	-	620	538
Transactions with owners						
Ordinary shares issued at a premium during the period	1,844	183,156	-	-	-	185,000
Share issue costs	-	(4,117)	-	-	-	(4,117)
Issue of redeemable preference shares	12	-	-	-	-	12
Redemption of redeemable preference shares	(12)	-	-	-	-	(12)
Transfer to capital reduction reserve	-	(30,000)	-	30,000	-	-
Interim dividends paid	-	-	-	(4,675)	-	(4,675)
As at 30 June 2018	**1,844**	**149,039**	**(82)**	**25,325**	**620**	**176,746**

CONSOLIDATED CASH FLOW

For the year from 1 July 2018 to 30 June 2019

	Notes	1 July 2018 to 30 June 2019 £'000	1 June 2017 to 30 June 2018 £'000
Operating activities			
Profit for the year/period (attributable to ordinary shareholders)		10,593	620
Adjustments for:			
Changes in fair value of Investment properties	12	(647)	4,081
Movement in rent smoothing adjustments	4	(366)	(328)
Finance expense	8	4,180	1,917
Tax expense	9	18	227
Cash flows from operating activities before changes in working capital		13,777	6,517
Increase in trade and other receivables		(2,486)	(1,035)
Increase in deferred rental income		1,877	1,666
Increase in trade and other payables		745	913
Cash flows from operating activities		**13,913**	**8,061**
Investing activities			
Acquisition of investment properties	12	(85,450)	(254,540)
Capitalised acquisition costs		(5,617)	(14,113)
Net cash flows used in investing activities		**(91,067)**	**(268,653)**
Financing activities			
Proceeds from issue of ordinary share capital	19	45,000	185,000
Costs of share issues	19	(1,062)	(4,117)
Issue of redeemable preference shares	19	-	12
Redemption of redeemable preference shares	19	-	(12)
Bank borrowings drawn	17	128,341	98,430
Bank borrowings repaid	17	(72,291)	(9,586)
Loan arrangement fees paid	17	(933)	(1,029)
Bank interest paid	17	(3,323)	(1,053)
Bank commitment fees paid	17	(42)	(94)
Interest rate cap premium paid	16	(27)	(158)
Dividends paid to equity holders	11	(10,850)	(4,562)
Net cash flows from financing activities		**84,813**	**262,831**
Net increase in cash and cash equivalents for the year/period		**7,659**	**2,239**
Cash and cash equivalents at the beginning of the year/ period		**2,239**	**-**
Cash and cash equivalents at the end of the year/period		**9,898**	**2,239**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

General information
Supermarket Income REIT plc ('the Company') is a company registered in England and Wales with its registered office at 7th Floor 9 Berkeley Street, London, United Kingdom, W1J 8DW. The principal activity of the Company and its subsidiaries ('the Group') is to provide its shareholders with an attractive level of income together with the potential for capital growth by investing in a diversified portfolio of supermarket real estate assets in the UK.

At 30 June 2019 the Group comprised the Company and its wholly owned subsidiaries as set out in Note 13. Each of these subsidiaries is incorporated in England and Wales and has the same registered office as the Company.

The consolidated financial information set out in this report covers the year to 30 June 2019, with comparative figures relating to period from incorporation to June 2018, and includes the results and net assets of the Group. The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 30 June 2019. Whilst the financial information included in this announcement has been computed in accordance with IFRS, as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Group's financial statements for the years ended 30 June 2019 or 30 June 2018, but is derived from those financial statements. Those financial statements give a true and fair view of the assets, liabilities, financial position and results of the Group. Financial statements for the year ended 30 June 2018 have been delivered to the Registrar of Companies and those for the year ended 30 June 2019 will be delivered following the Company's AGM. The auditors' reports on both the 30 June 2019 and 30 June 2018 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The Consolidated financial information has been prepared in accordance with:

- International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union;
- The Disclosure and Transparency Rules of the Financial Conduct Authority; and
- The Companies Act 2006, as applicable to companies reporting under IFRS.

Accounting convention and currency
The audited consolidated financial statements (the "financial statements") have been prepared on a historical cost basis, except that investment properties and interest rate derivatives are measured at fair value.

The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand (£'000), except where otherwise indicated. Pounds Sterling is the functional currency of the Company and the presentation currency of the Group.

Going concern
In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

During the period covered by this report, the Group has raised a total of £56.3 million from the issue of equity shares and a further £52.1 million under the Bayerische Landesbank credit facility referred to in note 17. All financial covenants have been met to date.

During August 2019 the Group entered into a £47.6 million credit facility with Deka Bank and acquired a further investment property for £54.4 million plus acquisition costs. Further details are set out in note 25.
The Group generated net cash flow from operating activities in the period of £13.9 million, with its cash balances at 30 June 2019 totalling £9.9 million and the Group having no capital commitments or contingent liabilities as at that date.

The Group benefits from a secure income stream from its property assets that are let to tenants with excellent covenant strength under long leases that are subject to upward only RPI rent reviews.

As a result, the Directors believe that the Group is well placed to manage its financing and other business risks and that the Group will remain viable, continuing to operate and meet its liabilities as they fall due. The Directors are therefore of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

New standards, interpretations and amendments
During the year, the Group has adopted IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers". IFRS 9 deals with the classification and measurement of financial instruments and includes a requirement to apply an expected credit loss approach to the impairment of short term financial assets such as rent receivables, but its adoption has not had a material impact on the Group's financial statements other than certain additional disclosures in respect of hedging which are included in note 18. On initial application of IFRS 9 the Group has elected to continue applying the hedge accounting requirements of IAS 39 in respect of the Group's interest rate derivatives, and this election applies to all of the Group's hedging relationships. The Group's revenue is derived entirely from leases which are outside the scope of IFRS 15, therefore its adoption has not had any material impact on the Group's financial statements.

The Group has also adopted the amendments to IAS 40 "Investment Property", which clarify when a disposal of investment property should be recognised in line with the revenue recognition criteria of IFRS 15. The Group has not yet disposed of any investment properties, nor is there an intention to dispose of any assets, therefore the adoption of IAS 40 has not had any impact on the Group's financial statements.

None of the other new or amended standards or interpretations issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") have led to any material changes in the Group's accounting policies or disclosures during the year.

Standards and interpretations in issue not yet adopted The IASB has issued IFRS 16 "Leases", which is effective from 1 January 2019 and has not been adopted early. Since IFRS 16 will not result in significant changes of accounting policies for lessors, the Directors' assessment of its impact remains
unchanged from that reported in the 2018 financial statements, where it was noted that it was not expected to have a material impact on the Group's financial statements as there are no significant headlease rents on the group's long leasehold properties.

2. Significant accounting judgements, estimates and assumptions
The IASB and IFRIC have also issued or revised IFRS 3, IFRS 9, IFRS 10, IFRS 11, IFRS 14, IFRS 17, IAS 1, IAS 8, IAS 12, IAS 19, IAS 23, IAS 28 and IFRIC 23 but these are not expected to have a material effect on the operations of the Group. In the application of the Group's accounting policies, which are summarised in note 3, the Directors are required to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and the disclosures therein.

The judgements, estimates and assumptions that the Directors consider have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next 12 months are outlined below.

Key estimate: Fair value of investment properties
The valuation of the Group's investment properties is at fair value, which is determined by the Group's independent valuer on the basis of market value in accordance with the RICS Valuation - Global Standards (the 'Red Book'). Recognised valuation techniques are used by the independent valuer which are in accordance with those recommended by the International Valuation Standard Committee and compliant with IFRS 13 "Fair Value Measurement."

The independent valuer is considered to have sufficient current local and national knowledge of the supermarket property market and the requisite skills and understanding to undertake the valuation competently.

In forming an opinion as to fair value, the independent valuer makes a series of assumptions, which are typically market-related, such as those in relation to net initial yields and expected rental values. These are based on the independent valuer's professional judgement. Other factors taken into account by the independent valuer in arriving at the valuation of the Group's investment properties include the length of property leases, the location of the properties and the strength of tenant covenants.

The fair value of the Group's investment properties as determined by the independent valuer, along with the significant methods and assumptions used in estimating this fair value, are set out in note 12.

Key judgement: Acquisition of investment properties
The Group has acquired and intends to acquire further investment properties. At the time of each purchase the Directors assess whether an acquisition represents the acquisition of an asset or the acquisition of a business. To date all acquisitions of properties have been direct asset purchases. The Group may in the future acquire entities that own property assets. These acquisitions would be accounted for as a business combination only if an integrated set of activities were to be acquired in addition to the property. In the situations where such an acquisition was not being judged to be an acquisition of a business, the Group would not treat it as a business combination. Rather, the cost to acquire the entity concerned would be allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation would arise from such an acquisition.

Key judgement: Operating lease contracts - the Group as lessor
The Group has acquired investment properties that are subject to commercial property leases with tenants. The Directors have concluded, based on an evaluation of the terms and conditions of the arrangements, in particular the duration of the lease terms and the minimum lease payments, that the Group retains all the significant risks and rewards of ownership of the properties acquired to date and so has accounted for these leases as operating leases rather than finance leases. Such considerations are required each time that the Group acquires a new property.

3. Summary of significant accounting policies
The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

3.1 Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 June 2019.

Subsidiaries are those entities including special purpose entities, directly or indirectly controlled by the Company. Control exists when the Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial information from the date that control commences until the date that control ceases.

In preparing the consolidated financial information, intra group balances, transactions and unrealised gains or losses are eliminated in full.

Uniform accounting policies are adopted for all companies within the Group.

3.2 Segmental information
The Directors are of the opinion that the Group is currently engaged in a single segment business, being investment in United Kingdom in supermarket property assets.

3.3 Rental income
Rental income arising on investment properties is accounted for in profit or loss on a straight-line basis over the lease term, as adjusted for the following:

- Any rental income from fixed and minimum guaranteed rent review uplifts is recognised on a straight-line basis over the shorter of the term to lease expiry or to the first tenant break option;

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

Contingent rents, such as those arising from indexed-linked rent uplifts or market based rent reviews, are recognised in the period in which they are earned.

Where income is recognised in advance of the related cash flows due to fixed and minimum guaranteed rent review uplifts or lease incentives, an adjustment is made to ensure that the carrying value of the relevant property, including the accrued rent relating to such uplifts or lease incentives, does not exceed the external valuation.

Rental income is invoiced in advance with that element of invoiced rental income that relates to a future period being included within deferred rental income in the consolidated statement of financial position.

3.4 Finance expense
Finance expenses consist principally of interest payable and the amortisation of loan arrangement fees.

Loan arrangement fees are expensed using the effective interest method over the term of the relevant loan. Interest payable and other finance costs, including commitment fees, which the Group incurs in connection with bank borrowings, are expensed in the period to which they relate.

3.5 Administrative and other expenses
Administrative and other expenses, including the investment advisory fees payable to the Investment Adviser, are recognised in profit and loss on an accruals basis.

3.6 Dividends payable to shareholders
Dividends to the Company's shareholders are recognised when they become legally payable, as a reduction in equity in the financial statements. Interim equity dividends are recognised when paid. Final equity dividends will be recognised when approved by shareholders at an AGM.

3.7 Taxation

Non-REIT taxable income
Taxation on the Group's profit or loss for the period that is not exempt from tax under the UK-REIT regulations comprises current and deferred tax, as applicable. Tax is recognised in profit or loss except to the extent that it relates to items recognised as direct movements in equity, in which case it is similarly recognised as a direct movement in equity.

Current tax is tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the end of the relevant period.

Entry to the UK-REIT regime
The Group obtained its UK-REIT status effective from 21 December 2017. Entry to the regime results in, subject to continuing relevant UK-REIT criteria being met, the profits of the Group's property rental business, comprising both income and capital gains, being exempt from UK taxation.

The Group intends to ensure that it complies with the UK-REIT regulations on an on-going basis and regularly monitors the conditions required to maintain REIT status.

3.8 Investment properties
Investment properties consist of land and buildings (all supermarkets) which are held to earn income together with the potential for capital growth.

Investment properties are recognised when the risks and rewards of ownership have been transferred and are measured initially at cost, being the fair value of the consideration given, including transaction costs. Where the purchase price (or proportion thereof) of an investment property is settled through the issue of new ordinary shares in the company, the number of shares issued is such that the fair value of the share consideration is equal to the fair value of the asset being acquired. Transaction costs include transfer taxes and

professional fees for legal services. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property. All other property expenditure is written off in profit and loss as incurred.

After initial recognition, investment properties are measured at fair value, with gains and losses recognised in profit and loss in the period in which they arise.

Gains and losses on disposals of investment properties will be determined as the difference between the net disposal proceeds and the carrying value of the relevant asset. These will be recognised in profit and loss in the period in which they arise.

3.9 Financial assets and liabilities
Financial assets and liabilities are recognised when the relevant Group entity becomes a party to the unconditional contractual terms of an instrument. Unless otherwise indicated, the carrying amounts of financial assets and liabilities are considered by the Directors to be reasonable estimates of their fair values.

Financial assets
Financial assets are recognised initially at their fair value. All of the Group's financial assets, except interest rate derivatives, are held at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents
Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of three months or less.

Trade and other receivables
Trade and other receivables, including rents receivable, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provisions for impairment are calculated using an expected credit loss model. Balances will be written-off in profit or loss in circumstances where the probability of recovery is assessed as being remote.

Trade and other payables
Trade and other payables are recognised initially at their fair value and subsequently at amortised cost.

Bank borrowings
Bank borrowings are initially recognised at fair value net of attributable transaction costs. After initial recognition, bank borrowings are subsequently measured at amortised cost, using the effective interest method. The effective interest rate is calculated to include all associated transaction costs.

Derivative financial instruments and hedge accounting
The Group's derivative financial instruments currently comprise an interest rate cap and interest rate swap. Both are designated as hedging instruments for which hedge accounting is being applied. These instruments are used to manage the Group's cash flow interest rate risk.

The instruments are initially recognised at fair value on the date that the derivative contract is entered into, being the cost of any premium paid at inception, and are subsequently re-measured at their fair value at each reporting date.

Fair value measurement of derivative financial instruments
The fair value of derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the relevant group entity and its counterparties.

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

A number of assumptions are used in determining the fair values including estimations over future interest rates and therefore future cash flows. The fair value represents the net present value of the difference between the cash flows produced by the contract rate and the valuation rate.

Hedge accounting
At the inception of a hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Assuming the criteria for applying hedge accounting continue to be met the effective portion of gains and losses on the revaluation of such instruments are recognised in other comprehensive income and accumulated in the cash flow hedging reserve. Any ineffective portion of such gains and losses will be recognised in profit or loss within finance income or expense as appropriate. The cumulative gain or loss recognised in other comprehensive income is reclassified from the cash flow hedge reserve to profit or loss (finance expense) at the same time as the related hedged interest expense is recognised.

3.10 Equity instruments
Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of directly attributable issue costs. Costs not directly attributable to the issue are immediately expensed in profit or loss.

Further details of the accounting for the proceeds from the issue of shares in the period are disclosed in note 19.

3.11 Fair value measurements and hierarchy
Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market. It is based on the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. A fair value measurement of a non-financial asset takes into account the best and highest value use for that asset.

The fair value hierarchy to be applied under IFRS 13 is as follows:

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

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are carried at fair value and which will be recorded in the financial information on a recurring basis, the Group will determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

3.12 Occupational leases
The Directors exercise judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IAS 17 "Leases" for all occupational leases and head leases and determine whether such leases are operating leases. A lease is classified as a finance lease if substantially all of the risks and rewards of ownership transfer to the lessee. If the Group substantially retains those risks, a lease is classified as an operating lease. All occupational leases reflected in these financial statements are classified as operating leases.

4. Rental income

	1 July 2018 to 30 June 2019 £'000	**1 June 2017 to 30 June 2018 £'000**
Rental income - freehold property	4,280	3,510
Rental income - long leasehold property	12,951	5,432
Total rental income	**17,231**	**8,942**

Insurance / service charge income	163	-
Insurance / service charge expense	(163)	-
Total rental income	**17,231**	**8,942**

Included within rental income is a £366,000 (2018: £328,000) rent smoothing adjustment that arises as a result of IAS 17 'Leases' requiring that rental income in respect of leases with rents increasing by a fixed percentage to be accounted for on straight-line basis over the lease term. During the period this resulted in an increase in rental income and an offsetting entry being recognised in profit or loss as an adjustment to the investment property revaluation.

On an annualised basis, rental income comprises £10,500,000 (2018: £5,432,000) relating to the Group's largest tenant, £4,280,029 (2018: £3,510,000) relating to the Group's second largest tenant and £2,452,000 (2018: nil) relating to the Group's third largest tenant.

5. Administrative and other expenses

	1 July 2018 to 30 June 2019 £'000	**1 June 2017 to 30 June 2018 £'000**
Investment Adviser fees (Note 24)	1,814	1,079
Directors' remuneration (Note 7)	145	160
Corporate administration fees	372	216
Legal and professional fees	396	297
Other administrative expenses	361	345
Total administrative and other expenses	**3,088**	**2,097**

The fees relating to the issue of shares in the period have been treated as share issue expenses and offset against the share premium reserve.

6. Operating profit

Operating profit is stated after charging fees for:

	1 July 2018 to 30 June 2019 £'000	**1 June 2017 to 30 June 2018 £'000**
Audit of the Company's consolidated and individual financial statements	74	55
Audit of subsidiaries, pursuant to legislation	21	15
Total audit services	**95**	**70**
Audit related services: audit of the Historical Financial Information for the period ended 31 December 2017 for inclusion in the April 2018 Prospectus	-	55
Audit related services: interim review	25	20
Audit related services: audit of the Company's initial financial information to 18 September 2017	-	10
Total audit and audit related services	**120**	**155**

The Group's auditor also provided the following services in relation to the placing of share capital and the fees for which have been recognised within equity as a deduction from share premium:

	1 July 2018 to 30 June 2019 £'000	**1 June 2017 to 30 June 2018 £'000**
Other non-audit services: corporate finance services in connection with the July 2017 & May 2018 placing	-	70
Other non-audit services: corporate finance services in connection with the March 2019 placing	30	-
Total other non-audit services	**30**	**70**
Total fees charged by the Group's auditor	**150**	**225**

The other non-audit services charged to income in the current period relate to work as Reporting Accountants in connection with the share placing in March 2018. The audit-related services are as described above.

7. Directors' remuneration

The Group had no employees in the current period. The Directors, who are the key management personnel of the Company, are appointed under letters of appointment for services. Directors' remuneration, all of which represents fees for services provided, was as follows:

	1 July 2018 to 30 June 2019 £'000	1 June 2017 to 30 June 2018 £'000
Directors' fees	134	142
Employer's National Insurance Contribution	12	18
Total Directors' remuneration	**146**	**160**

The highest paid director received £55,000 (2018 : £60,000) for services during the year.

8. Finance expense

	1 July 2018 to 30 June 2019 £'000	1 June 2017 to 30 June 2018 £'000
Interest payable on bank borrowings and hedging arrangements	3,334	1,495
Fair value adjustment of interest rate derivatives (Note 16)	252	-
Commitment fees payable	47	99
Amortisation of loan arrangement fees	492	284
Amortisation of interest rate derivative premium (Note 16)	54	39
Total finance expense	**4,180**	**1,917**

The above finance expense include the following in respect of liabilities not classified as fair value through profit and loss

	1 July 2018 to 30 June 2019 £'000	1 June 2017 to 30 June 2018 £'000
Total interest expense on financial liabilities held at amortised cost	3,827	1,779
Fee expense not part of effective interest rate for financial liabilities held at amortised cost	47	99
Total finance expense	**3,873**	**1,878**

9. Taxation

A) Tax charge in profit or loss	1 July 2018 to 30 June 2019 £'000	1 June 2017 to 30 June 2018 £'000
UK corporation tax	18	227

The Company and its subsidiaries operate as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT regime exempts the profits of the Group's property rental business from UK corporation tax. To operate as a UK Group REIT a number of conditions had to be satisfied in respect of the Company, the Group's qualifying activity and the Group's balance of business. Since the 21 December 2017 the Group has met all such applicable conditions. In the intervening period from incorporation of the Company on 1 June 2017 to 21 December 2017 the Group was subject to UK corporation tax on its property rental business at an effective rate of 19%, resulting in the above tax liability.

The reconciliation of the profit before tax multiplied by the standard rate of corporation tax for the period of 19% to the total tax charge is as follows:

B) Reconciliation of the tax charge for the year/period	1 July 2018 to 30 June 2019 £'000	1 June 2017 to 30 June 2018 £'000
Profit on ordinary activities before taxation	10,610	847
Theoretical tax at UK standard corporation tax rate of 19%	2,016	160
Effects of:		
Investment property revaluation not taxable	(123)	776
REIT exempt income	(1,893)	(709)

Adjustments in respect of prior period	18	-
Tax charge for the year/period	**18**	**227**

10. Earnings per share

Earnings per share (EPS) amounts are calculated by dividing the profit or loss for the year/period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The European Public Real Estate Association ("EPRA") publishes guidelines for calculating adjusted earnings on a comparable basis. EPRA EPS is a measure of EPS designed by EPRA to enable entities to present underlying earnings from core operating activities, which excludes fair value movements on investment properties.

The calculation of basic, diluted and EPRA EPS is as follows:

For the period from 1 June 2017 to 30 June 2018	Net profit attributable to ordinary shareholders £' 000	Weighted average number of ordinary shares[1] Number	Earnings/ per share Pence
Basic and diluted EPS	620	124,235,902	0.5p
Adjustments to remove:			
Changes in fair value of investment properties	4,081	-	3.3p
EPRA EPS	**4,701**	**124,235,902**	**3.8p**

For the year from 1 July 2018 to 30 June 2019	Net profit attributable to ordinary shareholders £' 000	Weighted average number of ordinary shares[1] Number	Earnings/ per share Pence
Basic and diluted EPS	10,593	198,087,482	5.3p
Adjustments to remove:			
Changes in fair value of investment properties	(647)	-	(0.3)p
EPRA EPS	**9,946**	**198,087,482**	**5.0p**

[1] *Based on the weighted average number of ordinary shares in issue.*

11. Dividends

	1 July 2018 to 30 June 2019 £'000	1 June 2017 to 30 June 2018 £' 000
Amounts recognised as a distribution to ordinary shareholders in the year/period:		
Dividends paid	10,934	4,675

On 18 July 2018, the Board declared a Q4 interim dividend of 1.375 pence per share, which was paid on 23 August 2018 to shareholders on the register on 26 July 2018.

On 08 October 2018, the Board declared a Q1 interim dividend of 1.375 pence per share, which was paid on 06 November 2018 to shareholders on the register on 19 October 2018.

On 08 January 2019, the Board declared a Q2 interim dividend of 1.419 pence per share, which was paid on 08 February 2019 to shareholders on the register on 18 January 2019.

On 08 April 2019, the Board declared a Q3 interim dividend of 1.419 pence per share, which was paid on 07 May 2019 to shareholders on the register on 23 April 2019.

On 08 July 2019, the Board declared a Q4 interim dividend of 1.419 pence per share, which was paid on 07 August 2019 to shareholders on the register on 19 July 2019. This has not been included as a liability as at 30 June 2019.

12. Investment properties

In accordance with IAS 40 "Investment Property", the Group's investment properties have been independently valued at fair value by Cushman & Wakefield, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the RICS Valuation - Global Standards (the "Red Book") and incorporate the recommendations of the International Valuation Standards Committee which are consistent with the principles set out in IFRS 13.

The independent valuer in forming its opinion on valuation makes a series of assumptions. As explained in note 2, all the valuations of the Group's investment property at 30 June 2019 are classified as 'level 3' in the fair value hierarchy defined in IFRS 13.

The valuations are ultimately the responsibility of the Directors. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed by the Board.

	Freehold £'000	**Long Leasehold £'000**	**Total £'000**
At 1 July 2018	83,350	181,550	264,900
Property additions	-	96,700	96,700
Capitalised acquisition costs	-	5,617	5,617
Revaluation movement	1,100	(87)	1,013
Valuation at 30 June 2019	**84,450**	**283,780**	**368,230**

	Freehold £'000	**Long Leasehold £'000**	**Total £'000**
At 1 June 2017	-	-	-
Property additions	79,885	174,655	254,540
Capitalised acquisition costs	4,462	9,651	14,113
Revaluation movement	(997)	(2,756)	(3,753)
Valuation at 30 June 2018	**83,350**	**181,550**	**264,900**

All property acquisitions in the period were direct asset acquisitions. One Property acquisition during the year was part paid in non-cash consideration totaling £11.3 million.
Of the six properties held under long leaseholds, one has 120 years unexpired on the headlease, one has 160 years with the option to extend and option to acquire, three have 987 years unexpired and one has 990 year unexpired. The Group has no material liabilities in respect of these headleases.

Included within the carrying value of investment properties at 30 June 2019 is £694,000 (2018: £328,000) in respect of the smoothing of fixed contractual rent uplifts as described in note 4. The difference between rents on a straight-line basis and rents actually receivable is included within the carrying value of the investment properties but does not increase that carrying value over fair value. The effect of this adjustment on the revaluation movement for the period is as follows:

	1 July 2018 to 30 June 2019 £'000	**1 June 2017 to 30 June 2018 £' 000**
Revaluation movement per above	1,013	(3,753)
Rent smoothing adjustment (note 4)	(366)	(328)
Change in fair value recognised in profit or loss	**647**	**(4,081)**

Valuation techniques and key unobservable inputs

Valuation techniques used to derive fair values

The valuations have been prepared on the basis of market value which is defined in the RICS Valuation Standards as 'the estimated amount for which an asset or liability should exchange on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted

knowledgeably, prudently and without compulsion'. Market value as defined in the RICS Valuation Standards is the equivalent of fair value under IFRS.

Unobservable inputs
These include but are not limited to: the estimated rental value ("ERV") based on market conditions prevailing at the valuation date; the future rental growth - the estimated average increase in rent based on both market estimations and contractual situations; the equivalent yield (defined as the weighted average of the net initial yield and reversionary yield); and the physical condition of the individual properties determined by inspection.

A decrease in ERV would decrease the fair value. A decrease in the equivalent yield would increase the fair value.

Sensitivity of measurement of significant unobservable inputs
As described in note 2 to the financial information the determination of the valuation of the Group's investment property portfolio is open to judgements and is inherently subjective by nature.

Sensitivity analysis - impact of changes in initial yields and passing rent
Initial yields of the Group's investment properties at 30 June 2018 range from 4.36% to 5.70%. A 0.25% shift of the initial yield on all the Group's investment properties would have an approximate £18.1 million (2018: £13.1 million) impact on the total valuation of the properties. A 1% movement in the passing rents across all the Group's investment properties would have approximately a £3.7 million (2018: £2.6 million) impact on the total valuation of the properties.

13. Subsidiaries
The companies listed in the following table were the subsidiary undertakings of the Company at 30 June 2019 all of which are wholly owned. All subsidiary undertakings are incorporated in England with their registered office at 7th floor, 9 Berkeley Street, London, W1J 8DW.

Company name	Type of holding	Nature of business
Supermarket Income Investments UK Limited	Direct	Intermediate parent company
Supermarket Income Investments (Midco2) UK Limited	Direct	Intermediate parent company
Supermarket Income Investments (Midco3) UK* Limited	Direct	Intermediate parent company
Supermarket Income Investments UK (NO1) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO2) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO3) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO4) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO5) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO6) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO7) Limited*	Indirect	Property investment

* New subsidiaries incorporated during the year ended 30 June 2019

14. Trade and other receivables

	As at 30 June 2019 £'000	As at 30 June 2018 £'000
Other receivables	3,503	29
Prepayments and accrued income	17	1,006
Total trade and other receivables	**3,521**	**1,035**

All trade receivables relate to amounts that are less than 30 days overdue as at the period end date. Included within other receivables is £3,315,000 of rental receipts held by the group's managing agents as at 30 June 2019. These amounts are held within ring-fenced client trust accounts by the managing agent before being transferred to the group and therefore there is not deemed to be any material credit risk in relation to these receivables.

15. Trade and other payables

	As at 30 June 2019 £'000	As at 30 June 2018 £'000

Corporate accruals	1,828	1,132
VAT payable	742	341
Total trade and other payables	**2,570**	**1,473**

All trade and other payables relate to amounts that are less than 30 days overdue at the period end date.

16. Interest rate derivatives

	As at 30 June 2019 £'000	As at 30 June 2018 £' 000
Non-current asset: Interest rate cap	-	37
Non-current liability: Interest rate cap	(18)	-
Non-current liability: Interest rate derivative	(1,095)	-

The interest rate cap is remeasured to fair value by the counterparty bank on a quarterly basis.

The fair value at the end of period comprises:	**£'000**	**£' 000**
At start of period	37	-
Interest rate cap premium paid on inception	26	158
Amortisation of cap premium in the period (note 8)	(55)	(39)
Changes in fair value of interest rate derivative in the period	(1,374)	(82)
Charge to the Income Statement (note 8)	253	-
Fair Value as at 30 June 2019	**(1,113)**	**37**

To partially mitigate the interest rate risk that arises as a result of entering into the debt facilities referred to in note 17, the Group has entered into a derivative interest rate cap ('the cap') and a derivative interest rate swap ('the swap').

The total notional value of the cap was £63.5 million with its term coinciding with the expiry of the term of the HSBC credit facility. The strike rate of the cap as at 30 June 2019 was 1.75%. which caps the Group's cost of borrowing at 3.35% on the hedged notional amount.

The total notional value of the swap was £52.1 million with its term coinciding with the maturity of the Bayerische Landesbank loan facility. The fixed interest rate of the swap as at 30 June 2019 was 1.305%.

The Group uses all of its interest rate derivatives in risk management as cash flow hedges to protect against movements in future interest cash flows on secured loans which bear interest at variable rates. The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Since all critical terms matched during the year, the economic relationship was 100% effective. There was no ineffectiveness during the year ending June 2019 or period ending June 2018 in relation to the interest rate swaps.

The derivatives have been valued in accordance with IFRS 13 by reference to interbank bid market rates as at the close of business on the last working day prior to each balance sheet date. The fair values are calculated using the present values of future cash flows, based on market forecasts of interest rates and adjusted for the credit risk of the counterparties. The amounts and timing of future cash flows are projected on the basis of the contractual terms. All interest rate derivatives are classified as level 2 in the fair value hierarchy as defined in IFRS 13 and there were no transfers to or from other levels of the fair value hierarchy during the year.

The entire £52.1 million notional amount of the interest rate swaps and £63.5 million of the notional amount of the interest rate caps are used to hedge cash flow interest rate risk on £115.6 million of the floating rate loans described in note 17 and they have been wholly designated for hedge accounting. The hedges are expected to be 100% effective throughout their lives.

80% of the Group's total drawn debt was hedged as at 30 June 2019 (2018: 72%) It is the Group's target to hedge at least 60% of the Group's total debt at any time using interest rate derivatives.

In accordance with the Group's treasury risk policy, the Group applies cash flow hedge accounting in partially hedging the interest rate risks arising on its variable rate linked loans. Changes in the fair values of derivatives that are designated as cash flow hedges and are effective are recognised directly in the cash flow hedge reserve and included in other comprehensive income.

Any ineffectiveness that may arise in this hedge relationship will be included in profit or loss.

17. Bank borrowings

	As at 30 June 2019 £'000	As at 30 June 2018 £'000
Amounts falling due after more than one year:		
Secured debt	144,894	88,844
Less: Unamortised finance costs	(1,186)	(745)
Bank borrowings per the consolidated statement of financial position	**143,708**	**88,099**

Secured debt comprises a revolving credit facility (the 'credit facility') of £100 million with HSBC Bank Plc and a five year interest-only loan facility (the 'loan facility') of £52.1 million with Bayerische Landesbank.

The credit facility is secured on four Tesco assets (Thetford, Bristol, Cumbernauld and Scunthorpe) and the loan facility is secured on Sainburys', Ashford and Morrisons, Sheffield.

During June 2019 the Group exercised a 12-month extension on the credit facility from 30 August 2020 to 30 August 2021. The original terms of the credit facility are unchanged, and the facility contains one further 12-month extension option to August 2022. The extension option requires the agreement of both the Group and counterparty bank in order to exercise.

At June 2019, £92.8 million has been drawn down in total under the credit facility.

All the advances drawn under the credit facility have an interest charge which is payable quarterly based on a margin above three-month LIBOR. The margin payable by the Group on the credit facility as at 30 June 2019 was 160 basis points above three-month LIBOR.

As at 30 June 2019, the full amount of the loan facility had been drawn down. Interest is payable quarterly on the loan facility based on a margin of 125 basis points above three-month LIBOR. The fixed interest rate on the loan facility resulting from the Interest rate swap was 2.55%.

Both facilities have loan covenants of 60% LTV and 200% interest cover. The have been no defaults or breaches of any loan covenants during the current or any prior period.

Any associated fees in arranging the bank borrowings that are unamortised as at the end of the period are offset against amounts drawn under the facility as shown in the table above. The debt is secured by charges over the Group's investment properties and by charges over the shares of certain group companies, not including the Company itself. There have been no defaults of breaches of any loan covenants during the current or any prior period.

A new £47.6 million loan facility was subsequently entered into with Deka Bank in August 2018. Full details are set out in note 25.

18. Categories of financial instruments

	As at 30 June 2019 £'000	As at 30 June 2018 £'000
Financial assets		
Financial assets at amortised costs:		
Cash and cash equivalents	9,898	2,239
Trade and other receivables	3,503	1,035
Derivatives in effective hedges:		

Interest rate derivative	-	37
Total Financial Assets	**13,401**	**3,311**
Financial liabilities		
Financial liabilities at amortised cost:		
Secured debt	143,708	88,099
Trade and other payables	1,828	1,132
Derivatives in effective hedges:		
Interest rate derivative	1,113	-
Total Financial Liabilities	**146,649**	**89,231**

At the balance sheet date, all financial assets and liabilities were measured at amortised cost except for the interest rate derivative which is measured at fair value. The interest rate derivative valuation is classified as 'level 2' in the fair value hierarchy as defined in IFRS 13 and its fair value was calculated using the present values of future cash flows, based on market forecasts of interest rates and adjusted for the credit risk of the counterparties.

Financial risk management
Through the Group's operations and use of debt financing it is exposed to certain risks. The Group's financial risk management objective is to minimise the effect of these risks, for example by using an interest rate cap and interest rate swap derivative to partially mitigate exposure to fluctuations in interest rates, as described in note 16.

The exposure to each financial risk considered potentially material to the Group, how it arises and the policy for managing it is summarised below.

Market risk
Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from open positions in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

The Group's interest-bearing financial instruments comprise cash and cash equivalents and bank borrowings. Changes in market interest rates therefore affect the Group's finance income and costs, although the Group has purchased interest rate derivatives as described in note 16 in order to partially mitigate the risk in respect of finance costs. The Group's sensitivity to changes in interest rates, calculated on the basis of a ten-basis point increase or decrease in closing three-month LIBOR, was as follows:

	1 July 2018 to 30 June 2019 £'000	**1 June 2017 to 30 June 2018 £' 000**
Effect on profit for the current period	142	70
Effect on other comprehensive income and equity	(211)	7

Trade and other receivables and payables are interest free as long as they are paid in accordance with their terms, and have payment terms of less than one year, so it is assumed that there is no material interest rate risk associated with these financial instruments.

The Group prepares its financial information in Sterling and all of its current operations are Sterling denominated. It therefore has no exposure to foreign currency and does not have any direct sensitivity to changes in foreign currency exchange rates.

Credit risk
Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations. The principal counterparties are the Group's tenants (in respect of rent receivables arising under operating leases) and banks (as holders of the Group's cash deposits).

The credit risk of rent receivables is considered low because the counterparties to the operating leases are considered by the Board to be high quality tenants and any lease guarantors are of appropriate financial strength. Rent collection dates and statistics are monitored to identify any problems at any early stage, and if necessary rigorous credit control procedures will be applied to facilitate the recovery of rent receivables. The Group does not hold any financial assets which are either past due or impaired. The credit risk on

cash deposits is limited because the counterparties are banks with credit ratings which are acceptable to the Board and are kept under review each quarter.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance costs and principal repayments on its secured debt. It is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group seeks to manage its liquidity risk by ensuring that sufficient cash is available to meet its foreseeable needs. These liquidity needs are relatively modest and are capable of being satisfied by the surplus available after rental receipts have been applied in payment of interest as required by the credit agreement relating to the Group's secured debt.

Before entering into any financing arrangements, the Board assesses the resources that are expected to be available to the Group to meet its liabilities when they fall due. These assessments are made on the basis of both base case and downside scenarios. The Group prepares detailed management accounts which are reviewed by the Board at least quarterly to assess ongoing liquidity requirements and compliance with loan covenants. The Board also keeps under review the maturity profile of the Group's cash deposits in order to have reasonable assurance that cash will be available for the settlement of liabilities when they fall due.

Inflation risk arises from the impact of inflation on the Group's income and expenditure. All of the Group's passing rent at 30 June 2019 is subject to inflation linked rent reviews. Consequently, the Group is exposed to movements in the Retail Prices Index ("RPI"), which is the relevant inflation benchmark. However, all RPI-linked rent review provisions provide that rents will only be subject to upwards review and never downwards. As a result, the Group is not exposed to a fall in rent in deflationary conditions.

The following table shows the maturity analysis for financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial instruments, including future interest payments, based on the earliest date on which the Group can be required to pay and assuming that three-month LIBOR remains at the 30 June 2019 rate. Interest rate derivatives are shown at fair value and not at their gross undiscounted amounts.

As at 30 June 2019	Less than one year £'000	One to two years £' 000	Two to five years £' 000	More than five years £' 000	Total £' 000
Financial assets:					
Cash and cash equivalents	9,898	-	-	-	9,898
Trade and other receivables	3,503	-	-	-	3,503
Total Financial assets	**13,401**	**-**	**-**	**-**	**13,401**
Financial liabilities:					
Bank borrowings	3,626	7,251	148,084	-	158,961
Trade payables and other payables	1,828	-	-	-	1,828
Interest rate derivatives	-	-	1,113	-	1,113
Total Financial liabilities	**5,454**	**7,251**	**149,197**	**-**	**161,902**

As at 30 June 2018	Less than one year £'000	One to two years £' 000	Two to five years £' 000	More than five years £' 000	Total £' 000
Financial assets:					
Cash and cash equivalents	2,239	-	-	-	2,239
Trade and other receivables	1,016	-	-	-	1,016
Fair value through profit and loss	-	-	37	-	37
Total Financial assets	**3,274**	**-**	**37**	**-**	**3,292**
Financial liabilities:					
Bank borrowings	2,200	4,400	90,283	-	96,883
Trade payables and other payables	1,132	-	-	-	1,132

Total Financial liabilities	**3,332**	**4,400**	**90,283**	**-**	**98,015**

Capital risk management

The Board's primary objective when monitoring capital is to preserve the Group's ability to continue as a going concern, while ensuring it remains within its debt covenants so as to safeguard secured assets and avoid financial penalties. Bank borrowings are secured on the Group's property portfolio by way of fixed charges over property assets and over the shares in the property-owning subsidiaries and any intermediary holding companies of those subsidiaries. The Group does not provide any cross-group guarantees nor does the Company act as a guarantor to the lending bank.

At 30 June 2019, the capital structure of the Group consisted of bank borrowings (note 17), cash and cash equivalents, and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves referred to in notes 19 and 20).

In managing the Group's capital structure, the Board considers the Group's cost of capital. In order to maintain or adjust the capital structure, the Group keeps under review the amount of any dividends or other returns to shareholders and monitors the extent to which the issue of new shares or the realisation of assets may be required.

Reconciliation of financial liabilities relating to financing activities

	Bank borrowings due in more than 1 year £'000	**Interest and commitment fees payable £'000**	**Interest rate derivatives £,000**	**Total £'000**
At 1 July 2018	**88,099**	**447**	**(37)**	**88,509**
Cashflows:				
Debt drawdowns in the Year	128,341	-	-	128,341
Debt repayments in the Year	(72,291)	-	-	(72,291)
Interest and commitment fees paid	-	(3,365)	-	(3,365)
Loan arrangement fees paid	(933)	-	-	(933)
Interest rate cap premium paid	-	-	(27)	(27)
Non-cash movements:				
Finance costs in the statement of comprehensive income	492	3,663	54	4,180
Fair value changes	-	-	1,122	1,122
At 30 June 2019	**143,708**	**715**	**1,113**	**145,535**

	Bank borrowings due in more than 1 year £'000	**Interest and commitment fees payable £'000**	**Interest rate derivatives £,000**	**Total £'000**
At 1 June 2017	**-**	**-**	**-**	**-**
Cashflows:				
Debt drawdowns in the period	98,430	-	-	98,430
Debt repayments in the period	(9,586)	-	-	(9,586)
Interest and commitment fees paid	-	(1,147)	-	(1,147)
Loan arrangement fees paid	(1,029)	-	-	(1,029)
Interest rate cap premium paid	-	-	(158)	(158)
Non-cash movements:				
Finance costs in the statement of comprehensive income	284	1,594	39	1,917
Fair value changes	-	-	82	82
At 30 June 2018	**88,099**	**447**	**(37)**	**88,509**

Movements in respect to share capital are disclosed in note 19 below.

The interest and commitment fees payable are included within the corporate accruals balance in note 15. Cash flow movements are included in the consolidated statement of cash flows and the non-cash movements are included in note 8. The movements in the interest rate derivative financial asset can be found in note 16.

19. Share capital

	Ordinary shares of 1 pence Number	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Total £'000
As at 1 July 2018	**184,356,434**	**1,844**	**149,039**	**25,325**	**176,208**
Ordinary shares issued and fully paid - 26 March 2019	44,554,455	446	44,554	-	45,000
Ordinary shares issued and fully paid - 24 April 2019	10,922,330	109	11,141	-	11,250
Share issue costs	-	-	(1,062)	-	(1,062)
Dividends paid in the Year (note 11)	-	-	-	(10,934)	(10,934)
As at 30 June 2019	**239,833,219**	**2,398**	**203,672**	**14,391**	**220,461**

	Ordinary shares of 1 pence Number	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Total £'000
As at 1 June 2017	**-**	**-**	**-**	**-**	**-**
Issue of 1 ordinary share	1	-	-	-	-
Issue of 50,000 redeemable preference shares - one quarter paid up	-	12	-	-	12
Redemption and cancellation of 50,000 redeemable preference shares	-	(12)	-	-	(12)
Ordinary shares issued and fully paid - 18 July 2017	100,000,000	1,000	99,000	-	100,000
Ordinary shares issued and fully paid - 15 November 2017	19,999,999	200	19,800	-	20,000
Ordinary shares issued and fully paid - 25 May 2018	64,356,435	644	64,356		65,000
Cancellation of 1 ordinary share	(1)	-	-	-	-
Share issue costs	-	-	(4,117)	-	(4,117)
Transfer to capital reduction reserve	-	-	(30,000)	30,000	-
Dividends paid in the period (note 11)	-	-	-	(4,675)	(4,675)
As at 30 June 2018	**184,356,434**	**1,844**	**149,039**	**25,325**	**176,208**

Share allotments and other movements in relation to the capital of the Company in the period:

On 26 March 2019 the Company completed a equity fundraising and issued an additional 44,554,455 ordinary shares of one pence each at a price of £1.01 per share. The consideration received in excess of the par value of the ordinary shares issued, net of total capitalised issue costs, of £43.9 million was credited to the share premium reserve.

On 25 April 2019 the Company issued an additional 10,922,330 ordinary shares to the Charities Pension Fund, as partial consideration for the acquisition of Tesco Mansfield, of one pence each at a price of £1.03 per share. The consideration received in excess of the par value of the ordinary shares issued, net of total capitalised issue costs, of £11.3 million was credited to the share premium reserve.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary

shareholders have the right to vote at meetings of the Company. All ordinary shares carry equal voting rights.

20. Reserves

The nature and purpose of each of the reserves included within equity at 30 June 2019 are as follows:

- Share premium reserve: represents the surplus of the gross proceeds of share issues over the nominal value of the shares, net of the direct costs of equity issues
- Cash flow hedge reserve: represents cumulative gains or losses, net of tax, on effective cash flow hedging instruments
- Capital reduction reserve: represents a distributable reserve created following a Court approved reduction in capital less dividends paid
- Retained earnings represent cumulative net gains and losses recognized in the statement of comprehensive income.

The only movements in these reserves during the period are disclosed in the consolidated statement of changes in equity.

21. Capital commitments

The Group had no capital commitments outstanding as at 30 June 2019.

22. Operating leases

The Group's principal assets are investment properties which are leased to third parties under non-cancellable operating leases. The weighted average remaining lease term at 30 June 2019 is 18.4 years (2018: 18.6 years) and there are no break options. The leases contain either fixed or RPI-linked uplifts.

The future minimum lease payments receivable under the Group's leases, are as follows:

	As at 30 June 2019 £'000	**As at 30 June 2018 £'000**
Within one year	19,241	13,758
Between one year and five years	77,366	55,422
More than five years	260,172	194,032
	356,779	**263,212**

23. Net asset value per share

Basic NAV per share is calculated by dividing the Group's net assets as shown in the consolidated statement of financial position that are attributable to the ordinary equity holders of the Company by the number of ordinary shares outstanding at the end of the period. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

EPRA has issued guidelines aimed at enabling entities to provide a comparable measure of NAV on the basis of long term fair values. The EPRA measure excludes items that are considered to have no impact in the long term. For the current period EPRA NAV is calculated as net assets per the consolidated statement of financial position excluding the fair value of interest rate derivatives.

NAV and EPRA NAV per share calculation are as follows:

	As at 30 June 2019	**As at 30 June 2018**
	£'000	**£' 000**
Net assets per the consolidated statement of financial position	230,470	176,746
Fair value of interest rate derivatives	1,113	(37)
EPRA NAV	**231,583**	**176,709**
		Number
Ordinary shares in issue at 30 June	239,833,219	184,356,434
NAV per share - Basic and diluted (pence)	96p	96p

EPRA NAV per share (pence)	97p	96p

24. Transactions with related parties
Details of the related parties to the Group in the period and the transactions with these related parties were as follows:

a. Directors
Directors' fees
Nick Hewson, Chairman of the Board of Directors of the Company, is paid fees of £55,000 per annum, with the other two Directors each being paid fees of £35,000 per annum. Jon Austen is paid an additional £5,000 per annum for his role as chair of the Company's Audit Committee and Vince Prior is paid an additional £3,500 per annum for his role as Senior Independent Director.

The total remuneration payable to the Directors in respect of the current year and previous period is disclosed in note 7. There were no amounts outstanding at the end of either period.

Directors' interests
Details of the direct and indirect interests of the Directors and their close families in the ordinary shares of one pence each in the Company at 30 June 2018 were as follows:

- Nick Hewson: 380,000 shares (0.16% of issued share capital)
- Jon Austen: 99,000 shares (0.04% of issued share capital)
- Vince Prior: 55,431 shares (0.02% of issued share capital)

b. Investment Adviser
Advisory fees
The investment adviser to the Group, Atrato Capital Limited (the 'Investment Adviser'), is entitled to certain advisory fees under the terms of the Investment Advisory Agreement (the 'Agreement') dated 20 June 2017.

The entitlement of the Investment Adviser to advisory fees is by way of what are termed 'Monthly Management Fees' and 'Semi-Annual Management Fees' both of which are calculated by reference to the net asset value of the Group at particular dates, as adjusted for the financial impact of certain investment events and after deducting any un-invested proceeds from share issues up to the date of the calculation of the relevant fee (these adjusted amounts are referred to as 'Adjusted Net Asset Value' for the purpose of calculation of the fees in accordance with the Agreement).
Until the Adjusted Net Value of the Group exceeds £500 million, which it has not as at 30 June 2019, the entitlements to advisory fees can be summarised as follows:

- Monthly Management Fee payable monthly in arrears: 1/12th of 0.7125% per calendar month of Adjusted Net Asset Value up to or equal to £500 million;
- Semi-Annual Management Fee payable semi-annually in arrears: 0.11875% of Adjusted Net Asset Value up to or equal to £500 million.

For the period to 30 June 2019 the total advisory fees payable to the Investment Adviser were £1,814,000 (2018: £1,079,000) of which £379,000 (2018: £304,000) is included in trade and other payables in the consolidated statement of financial position.

Interest in shares of the Company
Details of the direct and indirect interests of the Directors of the Investment Adviser and their close families in the ordinary shares of one pence each in the Company at 30 June 2019 were as follows:

- Ben Green: 1,122,491 shares (0.47% of issued share capital)
- Steve Peter Windsor: 1,166,018 shares (0.49% of issued share capital)

c. Transactions with other related parties
Morgan Williams acts as the Senior Adviser to the Company, with their appointment being to provide their supermarket expertise to assist in sourcing suitable assets for investment.

They are therefore considered to provide key management personnel services to the Company. Any fees payable to the Senior Adviser form part of the acquisition costs in relation to the acquisition of the relevant property.

Mark Morgan is a partner in Morgan Williams and sits on the Investment Committee of the Investment Adviser.

In the period to 30 June 2019 the amount payable to Morgan Williams for these services was £483,000 (2018: £1,273,000) all of which has been capitalised as additions to investment properties. No amounts payable were outstanding at the end of either period.

Other transactions:
Other than those related party transactions disclosed in this or other notes to the financial statements the Directors are not aware of any transactions with related parties requiring disclosure. The Company does not have an ultimate controlling party.

25. Post balance sheet events
On 28 August 2019, the Group acquired a Sainsbury' Supermarket in Lancashire, Preston for £54.4 million (excluding acquisition costs). The Company has also arranged a new five-year, fixed rate loan facility with Deka Bank. The £48.1million facility has a margin of 135 basis points and is secured against the new Sainsbury's supermarket in Preston and the Tesco supermarket in Mansfield. The Deka Bank facility also contains a £40 million accordion option which allows the Group the option to expand the £47.6 million debt by a further £40 million, subject to Deka Bank credit approval, during the term of the facility.

On 08 July 2019, the Board declared a Q4 interim dividend of 1.419 pence per share, which was paid on 07 August 2019 to shareholders on the register on 19 July 2019.

UNAUDITED SUPPLEMENTARY INFORMATION

Key performance indicators
Our objective is to deliver attractive, low-risk returns to Shareholders, by executing the Investment Policy. Set out below are the key performance indicators we use to track our progress.

KPI and definition	Performance
Total Shareholder Return for the Period 1 July 2018 to 30 June 2019 Total Shareholder Return is measured by reference to the growth in the Company's share price over a period, plus dividends declared over the same period divided by the share price at the beginning of the financial year.	**8%**
Weighted average unexpired lease term as at 30 June 2019 The average unexpired lease term of the property portfolio, weighted by valuation.	**18 years**
EPRA NAV per share as at 30 June 2019 The value of our assets (based on an independent valuation) less the book value of our liabilities, attributable to Shareholders and calculated in accordance with EPRA guidelines.	**97 pence**
Net Loan to value ratio Balance sheet loan amount less cash balances divided by total investment properties valuation.	**36%**
EPRA Cost Ratio Administrative and operating costs divided by gross rental income.	**18%**
Earnings per share (EPS) Earnings attributable to Shareholders adjusted for other earnings not supported by cash flows and calculated in accordance with EPRA guidelines.	**5.0 pence**

Total Shareholder Return
Shareholder return is one of the Group's principal measure of performance. Total Shareholder Return ("TSR") is measured by reference to the growth in the Company's

share price over a period, plus dividends. The tables below show the calculation of TSR for the Period.

Total Shareholder Return	**As at 30 June 2019 Pence per share**	**As at 30 June 2018 Pence per share**
Share price at start of the year	102.5p	100.0p
Share price at the end of the year	105.0p	102.5p
Increase in share price	2.5p	2.5p
Dividends declared for the year	5.6p	5.5p
Increase in share price plus dividends	**8.1p**	**8.0p**
Share price at start of period	**102.5p**	**100.0p**
Total Shareholder Return	**8.0%**	**8.0%**

Net loan to value ratio

The proportion of our gross asset value that is funded by borrowings calculated as balance sheet borrowings less cash balances divided by total investment properties valuation.

Net Loan to value	**As at 30 June 2019 £'000**	**As at 30 June 2018 £'000**
Bank borrowings	143,708	88,099
Less cash and cash equivalents	(9,898)	(2,239)
Net borrowings	133,810	85,860
Investment properties valuation	368,230	264,900
Net Loan to value ratio	**36%**	**32%**

EPRA measures	**As at 30 June 2019 Pence per share**	**As at 30 June 2018 Pence per share**
EPRA NAV Per Share	**97p**	**96p**
EPRA Triple Net Asset Value (NNNAV) Per Share	**96p**	**95p**

	1 July 2018 to 30 June 2019	**1 June 2017 to 30 June 2018**
EPRA EPS	5.0 pence	3.8 pence
EPRA Net Initial Yield	4.9%	4.9%
EPRA Topped Up Net Initial Yield	4.9%	4.9%
EPRA Vacancy Rate	0%	0%
EPRA Cost Ratio	17.9%	23.4%
Adjusted EPRA Cost Ratio	17.9%	20.5%

Further information on these EPRA measures is included below.

EPRA NAV per share	**£'000**	**As at 30 June 2019 Pence per share**
EPRA NAV (note 10)	230,470	96p
Fair value of interest rate derivatives	1,113	1p
EPRA NAV	231,583	97p

EPRA Triple Net Asset Value Per Share	**£'000**	**As at 30 June 2019 Pence per share**
EPRA NAV (note 10)	231,583	97p

Fair value of interest rate derivatives	(1,113)	-
Adjustments to reflect fair value of bank borrowings	(1,185)	-
EPRA Triple Net Asset Value Per Share	229,284	96p

The EPRA triple NAV is adjusted to reflect the fair values of any debt and hedging instruments, and any inherent tax liabilities not provided for in the financial statements. EPRA NAV Per Share and EPRA Triple Net Asset Value Per Share are calculated on the number of shares in issue at each balance sheet of 239,833,219.

EPRA EPS **For the period from 1 July 2018 to 30 June 2019**	**Net profit attributable to ordinary shareholders £' 000**	**Weighted average number of ordinary shares' Number**	**Earnings/ per share Pence**
Basic and diluted EPS (note 10)	10,593	198,087,482	5.3p
Adjustments to remove:			
Changes in fair value of investment properties	(647)	-	(0.3)p
EPRA EPS	**9,946**	**198,087,482**	**5.0p**

[1] Based on the weighted average number of ordinary shares in issue in the year ending 30 June 2019.

EPRA Net Initial Yield	**As at 30 June 2019 £'000**	**As at 30 June 2018 £'000**
Wholly owned investment property at external valuation (note 12)	368,230	264,900
Allowance for estimated purchasers' costs at 6.8%	25,039	18,013
Grossed up completed property portfolio valuation	393,269	282,913

	As at 30 June 2019 £'000	**As at 30 June 2018 £'000**
Annualised net rents	19,209	13,727
EPRA Net Initial Yield	**4.9%**	**4.9%**

EPRA Topped Up Net Initial Yield	**As at 30 June 2019**	**As at 30 June 2018**
EPRA Topped Up Net Initial Yield	**4.9%**	**4.9%**

There are no unexpired tenant incentives therefore EPRA topped up net initial yield is the same as EPRA net initial yield in each year.

EPRA Vacancy Rate	**As at 30 June 2019**	**As at 30 June 2018**
EPRA Vacancy Rate	0%	0%

The Group had no vacant property in the Period.

EPRA Cost Ratio	**1 July 2018 to 30 June 2019 £'000**	**1 June 2017 to 30 June 2018 £'000**
EPRA Gross Rental Income	**17,231**	**8,942**

Administrative and other expenses (note 5)	3,088	2,097
EPRA Costs	**3,088**	**2,097**
EPRA Cost Ratio inclusive and exclusive of vacant property costs	**17.9%**	**23.4%**

The Group has had no vacant property, therefore the EPRA Cost Ratio is the same inclusive and exclusive of vacant property costs.

The Group has no capitalized overheads or operating expenses.

Adjusted EPRA Cost Ratio
The Group also calculates an Adjusted EPRA Cost Ratio excluding from administrative and other expenses £260,000 of non-recurring costs relating to the establishment of the Group to give what the Board considers to be a measure of cost efficiency more directly relevant to its ongoing cost performance.

	1 July 2018 to 30 June 2019 £'000	**1 June 2017 to 30 June 2018 £'000**
EPRA gross rental income	**17,231**	**8,942**
Administrative and other expenses (note 5)	3,088	2,097
non-recurring costs relating to the establishment of the Group	-	(260)
Adjusted EPRA Cost	**3,088**	**1,837**
Adjusted EPRA Cost Ratio excluding non	**17.9%**	**20.5%**

GLOSSARY

AGM	Annual General Meeting
AIFMD	Alternative Investment Fund Managers Directive
EPRA	European Public Real Estate Association
EPRA EPS	A measure of EPS designed by EPRA to present underlying earning from core operating activities
EPRA Guidance	The EPRA Best Practices Recommendations Guidelines November 2016
EPRA NAV	A measure of NAV designed by EPRA to present the fair value of a company on a long term basis, by excluding items such as interest rate derivatives that are held for long term benefit, net of deferred tax
EPS	Earnings per share, calculated as the profit for the period after tax attributable to members of the parent company divided by the weighted average number of shares in issue in the period
FRI	A lease granted on an FRI basis means that all repairing and insuring obligations are imposed on the tenant, relieving the landlord from all liability for the cost of insurance and repairs
IFRS	International Financial Reporting Standards adopted for use in the European Union

Investment Advisory Agreement	The agreement between the Company and the Investment Adviser, key terms of which are set out on page 101-102 of the IPO Prospectus
IPO	An initial public offering (IPO) refers to the process of offering shares of a corporation to the public in a new stock issuance
LTV	Loan to Value: the outstanding amount of a loan as a percentage of property value
NAV	Net Asset Value
Net Initial Yield	Annualised net rents on investment properties as a percentage of the investment property valuation, less assumed purchaser's costs of 6.8%
Net Loan to Value or Net LTV	LTV calculated on the gross loan amount less cash balances
Omnichannel	Stores offering both instore picking and online fulfilment
REIT	Real Estate Investment Trust
Running yield	The anticipated Net Initial Yield at a future date, taking account of any rent reviews in the intervening period
Total Shareholder Return	The movement in share price over a period plus dividends declared for the same period expressed as a percentage of the share price at the start of the Period
WAULT	Weighted Average Unexpired Lease Term. It is used by property companies as an indicator of the average remaining life of the leases within their portfolios

Directors	Nick Hewson (Chairman) Vince Prior (Senior Independent Director) Jon Austen (Chair of Audit Committee)
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AIFM	JTC AIFM Services Ground floor Dorey Court Admiral Park St Peter Port Guernsey Channel Islands GY1 2HT
Investment Adviser	Atrato Capital Limited 8 Greencoat Place London SW1P 1PL
Financial adviser, Broker and Placing Agent	Stifel Nicolaus Europe Limited 150 Cheapside

	London EC2V 6ET
Auditors	BDO LLP 55 Baker Street London W1U 7ET
Property Valuers	Cushman & Wakefield 125 Old Broad Street London EC2N 1AR
Financial PR Advisers	Tavistock 1 Cornhill London EC3V 3ND
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Stock exchange ticker	SUPR
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