RNS Final Results

Full Year Results For Year Ended 30 June 2020

SUPERMARKET INCOME REIT PLC

Released 07:00:05 17 September 2020

RNS Number : 2478Z
Supermarket Income REIT PLC
17 September 2020

SUPERMARKET INCOME REIT PLC

(the "Group" or the "Company")

LEI: 2138007FOINJKAM7L537

FULL YEAR AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2020

Supermarket Income REIT plc (LSE: SUPR), the UK supermarket real estate investment trust providing secure, inflation-protected, long income from grocery property in the UK, is today reporting its audited consolidated results for the Group for the year ended 30 June 2020 (the "Year").

FINANCIAL HIGHLIGHTS

	12 months to 30-June-20	12 months to 30-June-19	Change in Period
Annualised passing rent	£28.7m	£19.2m	+49%
EPRA earnings	£16.8m	£9.9m	+70%
Total shareholder return	11.6%	8.0%	n/a
Dividend paid per share	5.8 pence	5.6 pence	+4%
EPRA EPS	5.0 pence	5.0 pence	0%
	30-June-20	**30-June-19**	**Change in Period**
Total net assets	£477.2m	£230.5m	+107%
Loan to value	22.3%	36.3%	n/a
EPRA NAV per share	101 pence	97 pence	+4%
Portfolio net initial yield[1]	5.0%	4.9%	n/a

- 11.6% Total Shareholder Return for the year and 24.0% since listing in July 2017[1]
- 4.1% growth delivered in EPRA NAV to 101 pence per share as at 30 June 2020 (30 June 2019: 97 pence per share)
- Annual increase in dividend of 3.8%
- Portfolio of investment properties (the "Direct Portfolio") independently valued at £539.4 million (30 June 2019: £368.2 million) increasing by £171.2 million:
  - £22.4 million of valuation growth this year (excluding acquisition costs)
- £199.8 million of new acquisitions[3]

[1] Includes dividends declared, for the year ended 30 June 2020

2 LTV includes the proportional consolidation of the Sainsbury's Reversion Portfolio

3 Including Sainsbury's Reversion Portfolio

BUSINESS HIGHLIGHTS

- £239.8 million of equity raised via two upsized and over-subscribed issuances of New Ordinary Shares:
  - £100.0 million Placing and Offer for Subscription in October 2019
  - £139.8 million Placing in April 2020
- Acquisition of three complementary omnichannel supermarket assets for an aggregate purchase price of £148.8 million at a blended net initial yield of 5.3%:
  - Sainsbury's in Preston, Lancashire for £54.4 million (excluding acquisition costs) with 22 years unexpired lease term and annual, upward-only, RPI-linked rent reviews
  - Sainsbury's in Cheltenham, Gloucestershire for £60.4 million (excluding acquisition costs) with 13 years unexpired lease term and five-yearly, upward-only, RPI-linked rent reviews
  - Sainsbury's in Hessle, Yorkshire for £34.0 million (excluding acquisition costs) with 14 years unexpired lease term and annual, upward-only, RPI-linked rent reviews
- Acquisition of the Sainsbury's Reversion Portfolio:
  - 50:50 joint venture (the "JV") with British Airways Pension Trustees Limited
  - The JV acquired a 25.5% stake in one of the UK's largest Portfolios of UK supermarket properties for £102 million (excluding acquisition costs) (the Group's investment was £51 million)
- Net loan to value ("LTV") ratio of 22.3% as at 30 June 2020, with a weighted current cost of debt of 2.0%
- 100% of all rents collected in full

POST BALANCE SHEET EVENTS

- £188.9 million acquisition of nine supermarkets with a blended net initial yield of 4.8% comprising:
  - Portfolio of six supermarkets via a sale and leaseback transaction with Waitrose & Partners ("Waitrose") for £74.1 million (excluding acquisition costs) with 15 years unexpired lease term and five-yearly, upward-only, CPIH-linked rent reviews
  - Morrisons in Telford, Shropshire for £14.3 million (excluding acquisition costs) with 13 years unexpired lease term and five-yearly, upward-only, RPI-linked rent reviews
  - Tesco Extra in Newmarket, Suffolk for £61.0 million (excluding acquisition costs) with 15 years unexpired lease term and annual, upward-only, RPI-linked rent reviews
  - Tesco Superstore in Bracknell, Berkshire for £39.5m (excluding acquisition costs) with 10 years unexpired lease term and annual, upward-only, RPI-linked rent reviews
- £134.8 million of new debt financing at a weighted average cost of 2.0% and weighted average term of 4 years
- Increased dividend target for the FY 2021 to 5.86 pence per share, increased in line with June 2020 RPI inflation

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

"This has been another year of solid performance by the Group in which we have generated a Total Shareholder Return of 11.6%. Since our IPO in July 2017, we have delivered a total return to shareholders of 24.0%. In an environment where income has become increasingly scarce, our highly specific investment strategy continues to provide our investors with stable, long-term, inflation-protected income, confirming our belief that supermarket real estate assets remain one of the most compelling asset classes in the UK investment market."

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The Company will be holding a presentation for analysts and investors at 08.30am today. To join the meeting please register using the following link: https://stifel.zoom.us/j/98725737344?pwd=eWR0MWRFSVBEMWI5RmxWeEFDTkZlZz09

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am delighted to report to you another year of solid performance by the Group delivering a 4.3% growth in our Direct Portfolio value (excluding acquisition costs) and a 4.1% growth in EPRA NAV to 101 pence per share as at 30 June 2020.

The growing dominance of the omnichannel model in the UK online grocery market together with the undoubted covenant strength of the operators, is driving value creation in the supermarket property market, in stark contrast to a number of other sectors.

We firmly believe omnichannel supermarkets represent the future model of grocery in the UK. This has been clearly demonstrated during the COVID-19 pandemic where well located omnichannel stores became pivotal to the delivery of food by UK grocers to their customers.

Over the 12-week period up to 12 July 2020, UK grocery sales increased by 17% vs the same period in 2019. This is the fastest rate of growth since comparable records began and shows the significant impact the pandemic has had on the sector. All the substantial grocers experienced a major increase in demand, especially in the online grocery channel which increased market penetration by over 50%, from 8% of the UK grocery market pre-COVID-19 to 14% to end of June 2020. Omnichannel supermarkets played a vital role in responding to this increased demand, having the size and stock to respond effectively to the increased in-store demand, whilst having the operational flexibility to increase online grocery fulfilment capacity by over 100%. Omnichannel stores remain the dominant model for last-mile grocery fulfilment in the UK.

The pandemic has also served to reinforce the fact that supermarkets provide an essential service in feeding the nation. The grocery industry was able to adapt rapidly to ensure that key workers and those most in need were prioritised.

Thousands of jobs were and continue to be created across the sector, providing essential work in a time of rising unemployment.

We recognise our obligation to continue to create long term value for investors in a responsible and sustainable way and we acknowledge that as a business there is always more that we can do. We have begun a review of our Environmental, Social and Governance ('ESG') strategy, with a specialist third party consultant, in order to identify ways to fully integrate environmental and sustainable initiatives into our investment and asset management strategies.

Financial results

The Direct Portfolio of investment properties was independently valued on 30 June 2020 at £539.4 million reflecting a 4.3% growth in value during the Year (excluding acquisition costs). This has in turn driven an increase in the Group's EPRA NAV from 97 pence as at 30 June 2019 to 101 pence as at
30 June 2020.

All our directly owned properties have contractual, upward-only, inflation-linked rental uplifts and our average rental increases during the year were 2.5%. We have a high degree of certainty of income through the Group's long leases to tenants with undoubted covenants. Throughout the COVID-19 crisis this has been borne out as we collected 100% of rents with no defaults, deferrals, or rent reductions.

Reflecting the growth in total assets, EPRA earnings increased by 65% to £16.7 million, generating EPRA earnings per share for the year of 5.0 pence.

The Group has a low and highly transparent cost base. Our ongoing cost ratio, calculated under the AIC methodology, was 1.4 % and our EPRA cost ratio for the year was 19.7% against 17.9% for the prior year. The increase in the EPRA cost ratio reflecting the short-term impact of costs applicable to the period between equity proceeds being raised and fully deployed.

Our stable, inflation-linked income stream has enabled us to increase our quarterly dividend in line within inflation every year since our IPO in July 2017. During the year we have declared dividends totalling 5.8 pence per share, representing an increase of 3.8% on the prior year. In line with previous years, we are once again targeting an increase in the quarterly dividend in line with June RPI inflation. This will result in an annual dividend target of 5.86 pence per share for the financial year ending
30 June 2021. The first quarterly dividend at the increased level is expected to be declared in October 2020.

During the year ended 30 June 2020 we closed two significantly over-subscribed equity placings raising circa £240 million. We also continued to diversify our banking relationships with the addition of Deka Bank. The proceeds of these placings together with drawings under our banking facilities have enabled us to enhance both the quality and geographic diversification of the Portfolio. We acquired three additional supermarkets totalling £148.8 million and invested £51 million (excluding acquisition costs) to jointly acquire a 25.5% interest in the Sainsburys Reversion Portfolio with British Airways Pension Trustees Limited.

Since the balance sheet date activity levels have remained high and we have continued to deploy capital through the purchase of a further nine supermarkets. In addition, Wells Fargo became the fourth bank to enter into financing arrangements with the Group during July 2020 providing us with a seven-year facility (including two one-year extension options).

Including our interest in the Sainsbury's Reversion Portfolio (see below), we now have direct or indirect exposure to 45 supermarkets.

Outlook

Given the challenging environment for the wider real estate market and the impact of the COVID-19 pandemic, we have been especially pleased with the robust performance of our Portfolio and to be able to reaffirm our 100% rental collection each quarter. We are also pleased to have delivered a total shareholder return of 11.6% for the year and remain confident of delivering stable returns for our shareholders in the future.

The COVID-19 pandemic looks as if it is going to be around for some time, meaning that the retail sector will be required continually to adapt to the changing operating environment. However, the food retailers have demonstrated that they can act speedily and efficiently to deliver groceries to customers. The next challenge facing the grocery sector is Brexit. We believe that our tenants are well positioned to deal with any disruption that may occur. They have strong balance sheets and have demonstrated their ability to adapt their business models and supply chains through the COVID-19 crisis. As a result, we believe any adverse impact for the Group would be short lived.

The Investment Adviser has proven its ability to identify and acquire attractive investments for the Group despite the on-going COVID-19 crisis. Since lockdown in late March, the Investment Adviser has deployed £240m million of capital on behalf of the Group in five separate transactions, spreading our geographic coverage and diversifying our tenant base.

The Investment Adviser has identified a further pipeline of investment opportunities which meet the Group's investment objectives, and which will provide additional geographic diversification and tenant mix to enhance the portfolio. The

Board is pleased to announce its intention to raise approximately £150 million in New Ordinary Shares by way of the Placing and Offer for Subscription to take advantage of these investment opportunities.

Nick Hewson

Chairman

17 September 2020

Q&A with Justin King CBE

A senior adviser to Atrato Capital, Justin King is recognised as one of the UK's most successful grocery sector leaders, having served as CEO of Sainsbury's for over a decade. Prior to that, he was part of the leadership team at Marks & Spencer and previously held senior roles at Asda. He is currently non-executive director of Marks & Spencer, a member of the Public Interest Body of PwC and Vice Chairman of Terra Firma. Justin brings an unrivalled wealth of grocery sector experience and a deep understanding of grocery property strategy.

Question: The pandemic has illustrated just how important the grocery sector is to the UK, how well do you think the supermarket operators have responded?

Answer: For 100 years, and more, the UK's largest grocery operators have exhibited a great adaptability and resilience, evolving their operating models in response to changes in consumer behaviour. To my mind their response to the

pandemic is further proof of their ability to adapt to change.

The start of the pandemic triggered an initial stockpiling rush from consumers. However, within a few weeks the supermarkets had responded to this surge in demand and demonstrated in real time their ability to serve their customers whilst simultaneously implementing new social distancing measures.

As a direct result of the crisis, grocery workers are now rightly appreciated as key workers. Supermarkets coped with the massive increase in grocery sales by recruiting, training and deploying tens of thousands of new staff. This ability to flex quickly also meant that the Big Four were best able to respond to the step change in online demand. Together, the Big Four have effectively doubled home delivery capacity by adding over one million additional home delivery slots in just a few weeks.

http://www.rns-pdf.londonstockexchange.com/rns/2478Z_1-2020-9-17.pdf

This year's unprecedented growth in grocery demand was in a large part triggered by the shift in consumption from eating outside the home in restaurants to eating in the home. I do not believe we will return to the pre-COVID-19 levels of dining out anytime soon and therefore I expect to see strong grocery demand continuing in the foreseeable future.

In summary, when viewed retrospectively, I believe the grocery operators have performed incredibly well in response to the pandemic and this crisis has reinforced just how important a network of well-located physical omnichannel supermarkets are to the UK's food infrastructure.

Question: The pandemic has driven a large increase in demand for online grocery shopping, what do you think this means for supermarkets?
Answer: Online grocery in the UK took twenty years to achieve an 8% market share and then almost doubled in just eight weeks from the start of the crisis. Most of that growth has been captured by Tesco, Sainsburys and ASDA which have seen their combined market share in UK online grocery increase from 82% to 85%.

[4] Atrato Capital research

It's clear that there is still unsatiated demand for online grocery as much of the increase in capacity was rightly directed to the vulnerable and those needing to self-isolate. On the other hand, some shoppers are likely to return to their previous shopping habits across in-store channels as COVID-19 related restrictions ease. Only time will tell the extent of the permanent in growth in online grocery participation, but I wouldn't be surprised if online share of grocery was 12% in 2021. Five years growth in one year!

I am of the view that this strict distinction between 'bricks and mortar' vs online is a false one. The future model of grocery necessitates seamless customer service across all channels in which the customer chooses to shop. To this end, it is interesting to note that the vast majority of capacity growth during the pandemic has come from Sainsbury's, Tesco and Asda, which operate a largely in-store pick model. Hence nearly all of that growth has come from omnichannel supermarkets rather than centralised automated hubs. As a result, over 80%[2] of online grocery in the UK is fulfilled from omnichannel supermarkets operating as a last mile hub for both online and offline sales.

I have always believed that it's important to "think customer, not channel". A pure play online operator can service a single channel need for the consumer, however this is only one aspect of the consumer relationship. Long term, profitable growth requires operators to think about the overall relationship with the customer, which I believe means developing a network of multichannel assets across the market it serves.

It's clear the larger supermarkets operating a truly omnichannel operation with in-store pick capacity were best positioned to respond quickly to the pandemic. This further underpins the importance of having the right stores in the right locations to be successful in the grocery industry.

Question: Will the store-pick model continue to dominate online grocery fulfilment in the future?
Answer: As I've mentioned, it's the store-pick model that has enabled this recent step change in online grocery market share, facilitating a doubling of online capacity since the start of the pandemic. I expect the capacity challenges faced by pure play operators that rely on heavily automated warehouses will be addressed in the medium term. However, this pandemic has illustrated the overall flexibility of the omnichannel store-pick model.

At the extreme, some individual omnichannel grocery store sales are now 50% online and 50% physical shopping and a 25%:75% split is not uncommon. Any foreseeable growth in online market share can be fulfilled through the omnichannel store-pick model, but some question how this impacts the in-store customer experience and operator productivity?

For the customer, the store-pick model can create a virtuous circle because an omnichannel store needs to carry a bigger and better range and the increased turnover from online leads to a fresher product on the shelves. Thus, adding online fulfilment to a store has been shown to create a much better in-store experience.

For the operator, the crisis has driven improvements in the productivity of store-pick. Going forwards, store-pick technology will not be static and will continue to narrow the productivity gap to automated warehouses.

The large part of the cost to the operator incurred by delivering groceries to a consumer's door does not come from the cost of picking, but from the cost of delivery. Hence, the cost saving from being proximate to customers outweighs any potential cost saving from a centralised or automated pick approach.

Question: Is the grocery industry moving away from the centralised automated shed model for online grocery?
Answer: There remain some that still believe that the future model of grocery might just be a centralised automated shed model. However, a better understanding of the true economics of online grocery fulfilment points to the likelihood that the future model of grocery, globally, looks very much to be an omnichannel model with more technology being deployed in micro-fulfilment, for example, semi-automated online picking located on site at the store.

Centralised online only distribution still forms part of most national online grocery fulfilment networks, but tends makes economic sense where the distribution centre is close to major population densities in order for the picking efficiency gains not to be more than offset by increased delivery costs through longer drive times. As a result, the vast majority of centralised distribution hubs (by Ocado, Tesco, etc.) are concentrated around London where it is most efficient. Outside of London, the rest of online grocery fulfilment in the UK is well served by the omnichannel model.

There is still a major structural issue for online grocery delivery to overcome: everybody wants a 10am weekend delivery slot, but very few opt for a 9am to 5pm weekday slot! For the supermarket operators that means, by definition, that their entire online logistics model can be at low utilisation most of the time. The recent crisis has temporarily released operators from this burden as most people are at home and more flexible when it comes to delivery slots. It would not

be prudent to assume this will continue in the medium term as people return to work. Over the longer term, a model that enables operators to flex delivery slot capacity to demand will win in the end. This will almost certainly include charging for the most desirable stores.

Putting automation into the store in the form of micro-fulfilment is likely to play a part. Tesco is at the forefront of micro-fulfilment in the UK, rolling out Takeoff Technologies into 25 of its stores. Its first centre in West Bromwich was installed in this year.

Question: What impact do you think the pandemic will have on the profitability of the Big Four supermarket operators?
Answer: At the moment we are seeing very little guidance as to the impact on profitability caused by the pandemic from the supermarket operators themselves. On the positive side it is clear there will be a significant boost to sales and in the grocery industry additional sales typically flow through the P+L strongly. The grocers also have the material benefit of a business rates holiday, however, labour costs have been substantially higher as are the additional costs incurred to facilitate the rapid expansion of online delivery.

Whatever the profitability impact, rent will remain a very small proportion of their total costs - this is in significant contrast to other sectors. Short term changes in profitability will not really affect an operator's ability to pay rent, especially on their best sites, further demonstrating the resilience of these large scale, well positioned, multichannel assets.

Question: 2019 saw a significant increase in supermarket property investment volumes, did that surprise you?
Not at all. I have always said that there is still no greater retail business proposition than a large, grocery-led supermarket selling fresh food in the right location. Supermarkets generate significant cash flow and are the core infrastructure of how and where consumers shop.

A successful grocery business can only be achieved through well located shops, operating a multichannel business model with a well-developed supply chain. Unlike non-food, it's the large incumbent grocery retailers who are the market leaders in online. The incumbent players also have the added structural advantage of already having an existing store presence in key locations, which are ideally located to be last mile fulfilment centres for online delivery.

Investors looking for property assets that offer consistent returns underpinned by solid corporate covenants have increasingly targeted the supermarket property sector and are driving yields tighter in this space. During a period in which broader non-food UK retailing has continued to be the subject of negative sentiment, the grocery sector has been a stand-out positive performer.

Having said that, not all supermarket property is equal and specialists like the Atrato Capital team are essential to ensure the right asset selection for the long term.

INVESTMENT ADVISER'S REPORT

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

Overview
The COVID-19 pandemic has illustrated that supermarket stores in strategic locations, are pivotal to the critical supply of food across the UK. Supermarkets are a regular part of the lives of the UK population, a core part of the UK's infrastructure with robust supply chains and staffed by dedicated key workers.

A pillar of the Group's investment strategy is investing in omnichannel supermarkets that facilitate in-store shopping, while also forming part of the UK online grocery distribution network. These omnichannel properties have become the dominant model for last-mile grocery fulfilment. Omnichannel supermarkets represent the crucial infrastructure that is integrating online and traditional in-store sales, with characteristics not evident in other forms of real estate, namely:

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

The sites owned by the Group proved particularly flexible and resilient in dealing with the increased grocery demand from both online and in-store sales growth caused by the COVID-19 pandemic.

The Group is highly selective in the supermarket assets that it seeks to acquire. As well as targeting assets which operate both as physical supermarkets and online fulfilment centres, the Group also seeks to ensure that its assets benefit from a solid trading history for the operators, long unexpired lease terms, contractual, upward only rental uplifts, strong tenant covenants and geographic diversity.

Managing sustainability is core to the Group's overall investment strategy. During the year, we have commenced a detailed review of our ESG strategy with Emperor, a leading ESG consultant. We are committed to building on our current sustainability strategy and fully integrating ESG into the investment decision making process.

We undertake ESG risk assessments on all prospective acquisitions and where relevant we look to improve our assets' sustainability through asset management. Underpinning our commitment to sustainability, we have recently entered into a strategic partnership with EVO Energy, the UK's leading commercial renewable energy company to evaluate and execute projects which will reduce the carbon emissions of the Group's Portfolio. Our first deliverable from this partnership will be the installation of a 370 kilowatt rooftop solar array on our Tesco Thetford supermarket, which will supply decarbonised electricity direct to the store. We have plans for similar schemes across our Portfolio and further details are provided in the Asset Management section below.

To date, the Group has invested in a Direct Portfolio of freehold and virtual freehold properties let to Tesco, Sainsbury's, Morrison and, post balance sheet, Waitrose. The properties in the Portfolio benefit from contractual inflation-linked rental increases from long dated fulling repairing and insuring (FRI) leases, generating an average unexpired lease term of 16 years (including post balance sheet events). We are pleased to report that throughout the COVID-19 crisis, we have collected 100% of rents with no deferrals or rent reductions.

collected 100% of rents with no deferrals or rent reductions.

Investment activity - Direct Portfolio

During the Year, the Group strengthened its Direct Portfolio with the addition of three accretive omnichannel supermarket assets for £148.8 million, namely

- Sainsbury's in Preston, Lancashire for £54.4 million (excluding acquisition costs) with 22 years unexpired lease term and annual, upward-only, RPI-linked rent reviews.
- Sainsbury's in Cheltenham, Gloucestershire for £60.4 million (excluding acquisition costs) with 13 years unexpired lease term and five-yearly, upward-only, RPI-linked rent reviews.
- Sainsbury's in Hessle, Yorkshire for £34.0 million (excluding acquisition costs) with 14 years unexpired lease term and annual, upward-only, RPI-linked rent reviews.

The acquisitions had a blended unexpired lease term of 17 years and a blended net initial yield of 5.3%, which is accretive to the Direct Portfolio net initial yield of 5.0%, supporting the Group's ability to grow its dividend whilst also enhancing the quality and diversification of the Portfolio.

The acquisitions were financed from a significantly over-subscribed £100 million Placing and Offer for Subscription in October 2019 and drawings from banking facilities (see financing below).

Post balance sheet the Group acquired a further 9 supermarkets with a blended net initial yield of 4.8% for a total consideration of £188.9 million (excluding acquisition costs). The stores acquired post balance sheet were:

- Portfolio of six supermarkets via a sale and leaseback transaction with Waitrose & Partners ("Waitrose") for £74.1 million (excluding acquisition costs) with 15 years unexpired lease term and five-yearly, upward-only, CPIH-linked rent reviews.
- Morrisons in Telford, Shropshire for £14.3 million (excluding acquisition costs) with 13 years unexpired lease term and five-yearly, upward-only, RPI-linked rent reviews.
- Tesco Extra in Newmarket, Suffolk for £61.0 million (excluding acquisition costs) with 15 years unexpired lease term and annual, upward-only, RPI-linked rent reviews.
- Tesco Superstore in Bracknell, Berkshire for £39.5m (excluding acquisition costs) with 10 years unexpired lease term and annual, upward-only, RPI-linked rent reviews

The post balance sheet acquisitions were financed from the over-subscribed £139.8 million Placing in April 2020. Further details of the post balance sheet acquisitions and financing are provided below.

Our Portfolio of supermarket comprises the properties in the following table.

Tenant	Tesco	Tesco	Sainsbury's	Tesco	Tesco	Morrisons	Tesco	Sainsbury's	Sainsbury's	Sainsbury's	Waitrose[1]	Waitrose[1]	Waitrose[1]	Waitrose[1]	Waitrose[1]	Wa
Location	Thetford, Norf	Bristol, Avon	Ashford, Kent	Cumbernauld, N Lanak	Scunthorpe, Lincs	Sheffield, South Yorks	Mansfield, Notts	Preston, Lanc	Cheltenham, Gloucs	Hessle, Yorks	Eastbourne, East Sussex	Edenbridge, Kent	Ely, Cambs	Oundle, Northants	Sandbach, Ches	Suc Suf
Acquisition Date	Aug-17	Aug-17	Aug-17	Dec-17	May-18	Jul-18	Apr-19	Aug-19	Oct-19	Feb-20	Jul-20	Jul-20	Jul-20	Jul-20	Jul-20	Jul-
Purchase Price (millions)	£43.2	£28.5	£79.8	£50.0	£53.0	£51.7	£45.0	£54.4	£60.4	£34.0	£13.3	£7.5	£12.6	£8.7	£15.8	£16
Valuation at 30 June 2020 (millions)	£41.9	£28.0	£88.5	£59.9	£59.7	£55.8	£50.1	£59.8	£60.4	£35.3	£13.3	£7.5	£12.6	£8.7	£15.8	£16
Passing annual rent (millions)	£2.7	£1.6	£4.0	£3.1	£3.0	£2.9	£2.6	£3.0	£3.4	£2.3	£0.6	£0.4	£0.6	£0.4	£0.7	£0.
GIA (sq.ft.)	78,000	55,000	125,000	117,000	98,000	113,000	90,000	106,000	98,724	70,899	34,600	19,104	32,890	22,104	40,082	43,
NSA (Sq.ft.)	48,000	31,000	72,000	70,000	65,000	58,000	64,000	78,000	61,964	50,763	22,177	13,275	15,137	15,220	24,443	30,
Rent review basis	Annual RPI	Annual RPI	Annual RPI	Annual RPI	Annual RPI	5 yearly RPI	Annual RPI	Annual RPI	5 yearly RPI	Annual RPI	5 yearly CPIH	5 yearly CPIH	5 yearly CPIH	5 yearly CPIH	5 yearly CPIH	5 y CPI
Lease Expiry	Dec-29	Mar-31	Sep-38	Aug-40	Aug-40	Oct-39	Mar-39	Feb-42	Jun-32	Jun-34	Jul-40	Jul-40	Jul-40	Jul-40	Jul-40	Jul-
Tenure	Virtual freehold	Virtual freehold	Freehold	Virtual freehold	Virtual freehold	Virtual freehold	Virtual freehold	Freehold	Freehold	Freehold	Freehold	Freehold	Freehold	Freehold	Freehold	Fre

(1) Post balance sheet acquisition

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.

The Direct Portfolio benefits from highly attractive leases to strong tenant covenants (Tesco, Sainsbury's, Morrisons and

Waitrose), with upward-only, index-linked rent reviews and long unexpired lease terms. Including the stores acquired post balance sheet, the weighted average lease term of the Direct Portfolio is 16 years with a weighted average yield of 5%.

Investment activity - Sainsbury's Reversion Portfolio
In May 2020, the Group announced the formation of a 50:50 joint venture (the "JV") with British Airways Pension Trustees Limited acting on behalf of the British Airways Pension Fund to acquire from British Land Plc a 25.5% stake in one of the UK's largest Portfolios of supermarket properties (the "Sainsbury's Reversion Portfolio") for £102 million.

The Sainsbury's Reversion Portfolio consists of the freehold interest in 26 geographically diverse high-quality Sainsbury's supermarkets, with a London and south east location bias. It was originally created through two sale and leaseback transactions by Sainsbury's in 2000. The freehold interests of the properties are now owned by Sainsbury's (49%), Aviva (25.5%) and the JV (25.5%). Further details of the JV can be found in note 14 of the financial statements.

The Group's contribution to the JV was £51 million, excluding acquisition costs, which was financed from the proceeds of the Ordinary Share Placing in April 2020.

Portfolio valuation
Cushman & Wakefield valued the Direct Portfolio at 30 June 2020, 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 Direct Portfolio market value was £539.4. million, compared with the assets' combined purchase price of £500.2 million (excluding acquisition costs). The Direct Portfolio increased in value by £22.4 million or 4.3% for the Year.

This valuation growth of the Direct Portfolio reflects the supermarket operators' undoubted covenant strength as tenants, increased demand in the investment market, and our ability to source off-market acquisitions for the Group.

With index-linked lease agreements and the high degree of certainty of income inherent in the Group's long leases, the Investment Adviser believes further valuation growth can be achieved in the future.

The investment properties within the Sainsbury's Reversion Portfolio, held as an investment in joint venture, were also independently valued by Cushman & Wakefield, in accordance with the RICS Valuation Global Standards July 2017. The net carrying value of the underlying investment was
£56.1 million increasing by £3.5 million above the Group's acquisition price of £52.6 million (including capitalised acquisition costs) which is the combination of negative goodwill arising on acquisition of the joint venture investment and the profit generated by the joint venture in the post-acquisition period, both of which are included within share of income from the joint venture in accordance
with IFRS.

Financial results
IFRS net rental income for the year was £26.4 million (2019: £17.2 million). Contracted RPI rent reviews in the year resulted in average rental increases of 2.5% (12 months to 30 June 2019: 3.2%) with IFRS £8.7 million rental growth contribution from new acquisitions. The strong rental growth reflects the contracted upward-only, index-linked rent reviews present in the Group's leases.

Administrative and other expenses, which include management and advisory fees and other costs of running the Group, were £5.2 million (2019: £3.1 million) generating an EPRA cost ratio of 19.7% (2019: 17.9%). The increase in the EPRA cost ratio reflecting the short-term impact of costs applicable to the period between equity proceeds being raised and fully deployed. The Group's EPRA cost ratio is expected to reduce in the coming years, reflecting a growing level of cost efficiency that is achievable as the Group continues to scale.

Financing costs for the year were £4.9 million (2019: £4.2million). As at 30 June 2020 the Group's weighted average finance cost was 2.0% (2019: 2.3%). The change in net financing costs in the year reflects the continued growth in the business and the reduction in the cost of borrowing for its most recent facilities. The Group's conservative leverage policy continues to maintain a healthy level of interest cover at 715% 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 51% to £21.2 million (2019: £14.1 million).

Change in fair value of the Direct Portfolio investment properties in the year was £13.1m (2019: £0.6 million), which comprises £8.5 million acquisition costs offset via a £22.4 million increase in valuation and £0.8 million rent smoothing adjustment. The Group's EPRA NAV at 30 June 2020 equates to
101 pence per ordinary share (2019: 97 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.

The total shareholder return generated during the year was 11.6% (2019: 8.0%). This is measured as the growth in share price over the Year of 6.4 pence (2019: 2.5 pence), plus dividends declared for the Year of 5.8 pence (2019: 5.6 pence) divided by the share price at the beginning of the Year.

Financing and hedging
In October 2019, the Company successfully completed an oversubscribed £100 million Placing and Offer for Subscription under which 98,039,215 New Ordinary Shares were issued at 102 pence per New Ordinary Share representing a 5% premium to prevailing NAV at the time of issue. Following a strong level of support from investors during the marketing roadshow the October Placing was increased from the original target of £50.0 million.

In April 2020, the company successfully completed a further oversubscribed Placing of Ordinary Shares raising £139.8 million under which 135,748,028 New Ordinary Shares were issued at 103 pence per New Ordinary Share representing a 6.2% premium to prevailing NAV at the time of issue. Following a strong level of support from investors during the marketing roadshow the April Placing was increased from the original target of £75.0 million.

During the year, the Group has broadened its banking relationships further, adding Deka Bank in August 2019. Deka Bank has provided the Group with a £76.6 million fully drawn seven year (five year plus two one year extension options) term loan facility at a fixed coupon of 2.0%.

Post balance sheet in July 2020, the Group arranged a new secured revolving credit facility of
£60.0 million with Wells Fargo. This facility has a seven year term (five year plus two one-year extension options). Once drawn, the facility has a margin of 2.0% above 3-month Libor which is currently equivalent to a total cost of 2.1%. It also includes a £100 million uncommitted accordion option, exercisable at any time throughout the term of the facility.

Also post balance sheet, in August 2020, the Group increased its facility with Bayerische Landesbank by £34.8 million comprising a new £27.5 million, secured, five-year tranche and a further £7.3 million tranche, upsizing its existing £52.1 million secured term loan for the remaining three-year term.

The new facilities are in both cases priced at a 1.85% margin over 3-month Libor, representing a total cost of debt of 2.0%. In September the Group agreed an increase to our existing HSBC RCF facility of £40.0 million at a 1.75% margin over 3-month Libor, whilst other terms remain the same as the existing £100m RCF facility.

The new debt facilities included in post balance sheet events have a weighted term of seven years (including extension options) generating a total weighted debt maturity of 4.1 years (2019: 4.2 years)

A summary of the Group's credit facilities is provided below:

Lender	Facility	Maturity	Credit margin	Loan commitment £m	Amount drawn at 30 June 2020 £m
HSBC	Revolving Credit Facility	Aug 2022	1.65%	100.0	0.0
Bayerische Landesbank	Term Loan	Jul 2023	1.25%	52.1	52.1
Deka Bank	Term loan	Aug 2026*	1.35%	76.6	76.6
Total				**228.7**	**128.7**
Post balance sheet events					
Wells Fargo	Revolving Credit Facility	July 2027*	2.00%	60.0	n/a
Bayerische Landesbank	Additional Term Loan A	July 2023	1.85%	7.3	n/a
Bayerische Landesbank	Additional Term Loan B	Aug 2025	1.85%	27.5	n/a
HSBC	Revolving Credit Facility	Aug 2022	1.75%	40.0	n/a
Total				**134.8**	**n/a**

*Including two further one-year extension options.

Total net debt as at 30 June 2020 is £128.7million, reflecting a net loan-to-value ("LTV") ratio of 19.7% (22.3% LTV including the proportional consolidation of the Sainsbury's Reversion Portfolio). The low LTV reflects the use of the April Placing proceeds to pay down over £90m of debt which was subsequently redrawn to support the Groups post balance sheet acquisitions. The Group's medium-term target is an LTV ratio of 30-40%.

Each loan drawn under the credit facilities requires interest payments only until maturity and is secured against both the subject properties and the shares of the property-owning entities. Each property-owning entity is either directly or ultimately owned by the Group.

The Group has 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 2020, the Group could afford to suffer a fall in property values of 38.0% 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. Further details of our debt and hedging can be found on pages 14-15, 60-61, 64, 73-74 80 of these accounts.

Dividends

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

- On 8 October 2019, a first interim dividend of 1.419 pence per share, which was paid on 7 November 2019.
- On 8 January 2020, a second interim dividend of 1.460 pence per share, which was paid on 7 February 2020.
- On 8 April 2020, a third interim dividend of 1.460 pence per share, which was paid on 22 May 2020.
- On 8 July 2020, a fourth interim dividend of 1.460 pence per share, which was paid on 7 August 2020.

The Group's EPRA dividend cover ratio was 0.84x for the year (2019: 0.91x). The reduction reflects the short-term impact on dividend cover applicable to the period between equity proceeds being raised and being fully deployed.

The Company intends to target an increase of 1.1% in the dividend for the year to June 2021 (representing an increase equivalent to the published RPI inflation for June 2020). The first increased quarterly dividend of 1.465 pence per share will be payable in October 2020.

The Company is therefore targeting a dividend for the year to 30 June 2021 of 5.86 pence per share.

Asset Management

As referenced earlier in this report, during the year we entered into a strategic partnership with EVO Energy, the UK's leading commercial renewable energy company. The goal of the strategic partnership is to evaluate and execute projects which will reduce the carbon emissions of the Portfolio.

In a key milestone for the partnership we have reached an agreement with Tesco on the commercial terms for the installation of a 370 kilowatt rooftop solar array, which will provide circa 310,000 kilowatt hours of decarbonised electricity for the Thetford store. Although the installation was delayed due to the impact of COVID-19, we have agreed a revised installation date in October 2020 and are in advanced discussions for the installation of a further 1.3 megawatt rooftop solar arrays across a further 4 stores in the coming months.

These solar investments improve the environmental sustainability of our sites something which is very important to the company and its tenants, whilst also generating an additional incremental income stream for the Group, thus enhancing the long-term capital value of the site.

We are passionate about improving the environmental impact of our properties and our medium-term ambition is to install on-site decarbonised energy producing plants across our estate.

Eight rent reviews were concluded during the year. The combination of these inflation-linked rent reviews led to an increase in rental income of £0.8 million, equivalent to a 2.5% average annualised increase in the rents for these reviewed properties.

Atrato Capital Limited

Investment Adviser

17 September 2020

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 2015. The UK grocery market has seen significant growth and changes in consumer shopping patterns due to the outbreak of COVID-19. IGD Retail Analysis forecast total spending on UK Grocery will increase by 6.8% in 2020 due to the full year impact of the COVID-19 pandemic and will continue to increase by a total growth of 10% over the 3 years to 2022, rising from £192 billion in 2019 to £211 billion by 2022. Tesco, Asda, Sainsbury's and Morrisons (the ''Big Four'') have a combined market share of approximately 66% 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/2478Z_2-2020-9-17.pdf

UK Grocery Market Operators

One of the many reasons that the Big Four have been able to protect their combined 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, both for drive times on the way in, and for last mile delivery times on the way out, in each and every town across the UK.

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/2478Z_3-2020-9-17.pdf

The grocery sales channels continue to evolve. However, the bigger stores remain the bedrock of the larger operators' business models with sales growing significantly due to the impact of the COVID-19 pandemic. According to IGD Retail Analysis research, supermarkets will continue to 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.

http://www.rns-pdf.londonstockexchange.com/rns/2478Z_4-2020-9-17.pdf

In the 23 years since Tesco introduced the UK's first nationwide online grocery platform in 1997,
UK grocers have pioneered the development of the omnichannel business model which seamlessly integrates both in-store and online fulfilment by using the supermarket as a last mile distribution hub for click and collect and home delivery, creating a world-leading last-mile grocery fulfilment platform. These omnichannel supermarkets have become the dominant model for last-mile grocery fulfilment, representing the crucial infrastructure that integrates online and traditional in-store sales channels.

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 of the property, in addition to the rent and service charge.

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 2020.

http://www.rns-pdf.londonstockexchange.com/rns/2478Z_5-2020-9-17.pdf

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

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 with improving investor sentiment towards supermarket operators driven by the performance of the sector and the undoubted covenant strength of the Big Four.

The Big Four operators, led by Tesco, have been progressively improving cashflow generation through cost reduction programmes and enhancing balance sheet strength through sustained debt reductions. As at June 2020, all 3 of the principal rating agencies rated Tesco plc as investment grade citing the operator's cash generation, debt reduction and their anticipated growth in profits as the reasons behind the investment grade rating. In addition, they believe that Tesco will cement its position as the dominant UK grocer and further deleverage its balance sheet. This is evidenced in recent years by the yields available to investors in supermarket corporate bonds becoming lower, which in the opinion of the Investment Adviser reflects an increased confidence in the supermarket asset class.

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 return. 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 requires 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 Group works 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.

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 £2.8 billion 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 balance sheet as a financing liability and then expensed as a finance cost rather than rental expense in the income statement.

Improved financial performance by the UK's major grocery operators has triggered increased buying of supermarket property assets and £1.78 billion of grocery property assets changed hands in 2019 up 80% up on volumes in the previous year. The majority of this demand has arisen from investors seeking inflation protection from the long-let and index-linked rent reviews structure of supermarket leases and from 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 trigger a medium-term compression in yields closer to those for the UK commercial property, with a corresponding increase in supermarket property asset values.

Future prospects

The Investment Adviser believes that current supermarket yields present a buying opportunity. Supermarket operators appear to be entering a period of higher earnings, strengthening even further their covenants as an operator. The investment market, having experienced some changes over the last few years, appears to have favorable supply and demand characteristics. Meanwhile, the underlying nature of the asset continues to provide investors with long term, upward only rental growth, whilst the assets themselves, due to their location and structural design, offer asset management opportunities.

All of these potential benefits are being priced at an investment yield which is currently higher than the rest of the property market. Against a backdrop of the uncertain economic outlook arising from the COVID-19 pandemic and events such as the UK's withdrawal from the European Union, the Directors and the Investment Adviser believe that supermarket real estate assets are one of the most compelling asset classes in the UK investment market.

[5] Property Data 2020. Includes securitisation buy backs

[6] Colliers International

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.

Investing in the future model of UK grocery
Our investment strategy is simple. We seek to own and actively manage a leading portfolio of high-quality omnichannel supermarkets which deliver low-risk and growing income returns that are resilient through economic cycles.

Our investment strategy is informed by our Investment Policy. This Policy requires us to invest primarily in future-proofed supermarkets known as omnichannel supermarkets. These supermarkets operate as both physical stores and online fulfilment centres, which are typically

- let to tenants with strong covenants and established positions in the UK grocery sector
- modern flexible buildings adapted to operate both in-store and online operations, accommodating multiple loading bays, refrigeration units and home delivery vehicles
- in the right locations, 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

We target standing assets which are completed stores that have a tenant in place on acquisition.
The investment is thereby income producing from the point of purchase with the tenant remaining committed to the existing lease terms. We typically target investments with long leases, but we may acquire assets with shorter leases, if we can create value by re-gearing or re-letting.

We target assets which offer value to our Shareholders and usually have a yield range of approximately 4-6%. Our investment objective is to deliver a total return of 7% - 10% per annum over the medium-term with total return based on geared net rental income plus growth in EPRA net asset value.

As our portfolio continues to grow, we benefit from economies of scale and increased diversification by both geography and tenant. A larger portfolio also gives us greater insight into our tenants' operations, grocery market developments and greater potential to create multi-asset initiatives.

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 Newmarket acquired in July 2020. Tesco has a long history of successful trading at this site since the 1980's. The current store was completely rebuilt in 2016 into a modern omnichannel supermarket which is purpose-built to support Tesco's growing online grocery business across the region, whilst also maintaining an efficient and growing in-store trade from the local catchment population.

This store houses 68,000 sq ft net sales area whilst also operating multiple online fulfilment distribution docks for home delivery vehicles plus a purpose-built drive-thru click and collect facility. This modern omnichannel operation enhances 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 organisation 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 and lower running costs for occupiers.

We continuously evaluate the performance of individual assets and look to maximise the positive attributes of the portfolio as a whole. We also review external factors that could influence future performance and opportunities for asset management.

Our asset management strategy aims to create value throughout the asset lifecycle. In particular, we look to protect and grow our income and capital values by creating business plans for each asset and regularly monitor and assess delivery against these plans. For example, we have performed extensive due diligence on the opportunity to install on-site decarbonised energy producing plants across our estate linked to our sustainability objectives. To date we have commenced District Network Operator (DNO) applications for the installation of extensive rooftop photovoltaic panels covering most of our estate. We look forward to delivering our first solar installation at our Thetford store in October.

Through green energy investment, we not only generate an income producing asset but also reduce costs for our tenants whilst also assisting in their transition to a lower carbon emission future.

We continue to explore and work with our tenants on 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.

OPERATING RESPONSIBLY

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 approach 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 70-80% of the total gross internal area of our estate. Our first deliverable from this initiative will be the installation of a 370 kilowatt rooftop solar array on the our Tesco Thetford supermarket, which will supply decarbonised electricity direct to the store.

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. This has been particularly evident during the Covid-19 pandemic, Supermarkets provided essential services to the local population and in increasing the numbers of delivery slots particularly to vulnerable and shielding individuals. Supermarkets also increased staff numbers materially providing employment to people who had lost their jobs or been furloughed.

Our communities are those who live in the areas in which our Supermarkets are located, and we recognise the importance of supporting those local communities. We endeavour to invest in opportunities which will be fit for future purpose and which align with our ESG targets. We help to benefit our local communities by investing in onsite decarbonised energy generation and other sustainability initiatives, promoting bio-diversity and seeking to increase efficiency of our stores for our tenants and their consumers.

Going forward

In 2020 we commenced a project in partnership with an ESG consultancy to develop a new sustainability strategy for the Group. The project consists of three key stages, the first of which has been completed:

i) to determine the ESG issues that are most relevant to our business and our stakeholders through a process of detailed desk research and stakeholder interviews, primarily investors or ESG rating agencies

ii) to develop a framework of how various ESG issues are relevant to us and our stakeholders and we approach each of them

iii) to assemble an action plan spanning the next five years that clearly defines our commitments to a more sustainable future, and how we will play our part, including activities, partnerships, key performance indicators and targets.

We believe that we can have a positive impact on the planet by carefully considering our future investments, by working with our tenants to operate in increasingly sustainable ways, and to improve our own social and environmental activities. These three tenets are at the core of our sustainability philosophy and will form the basis of our new strategy.

Section 172(1) Statement

The Directors consider that in conducting the business of the Company over the course of the year ended 30 June 2020, they have complied with Section 172(1) of the Companies Act 2006 ("the Act"). The business is externally managed and the Group has no employees. Its key stakeholders are considered to be its shareholders, the Investment Adviser and other suppliers, lenders, tenants and transaction counterparties. The Board is of the opinion that its conduct culminated from decisions made in good faith to promote the success of the Company for the benefit of all of its members, having regard to the impact of decisions on the following matters specified in Section 172 of the Companies Act:

(A) the likely consequences of any decision in the long term,

(B) the interests of the company's employees,

(C) the need to foster the company's business relationships with suppliers, customers and others,

(D) the impact of the company's operations on the community and the environment,

(E) the desirability of the company maintaining a reputation for high standards of business conduct, and

(F) the need to act fairly as between members of the company.

How the Director's ensure long term success

The strategy of the Company was initially laid out in Prospectus prepared for the Placing and subsequent listing on the Specialist Fund Segment of the London Stock exchange in July 2017 which was approved by the Board at that time. In running the business, any deviation from or amendment to that strategy is subject to Board and, if necessary, shareholder approval. At least annually, the Board considers a business plan and budget for the delivery of its strategic objectives. Through regular engagement with its stakeholder groups, the Board aims to gain a rounded and balanced understanding of the impact of its decisions. In the main, that information is gathered in the first instance by the Investment Adviser and communicated to the Board in its regular quarterly meetings and otherwise as required.

A. The likely consequences of any decision in the long term

The key strategic decisions for the Board are those relating to asset acquisitions, financing, disposals and distributions, and where these types of transaction, or any other material transaction or decision, is considered, the Board has regard

to its wider obligations under Section 172 of the Act. As such these strategic discussions involve careful considerations of the longer-term consequences of any decisions and their implications on shareholders and other stakeholders and the risk to the long term success of the business, and are supported by detailed cash flow projections based on various scenarios, which include: availability of funding; borrowing; as well as the wider economic conditions and market performance.

During the 2020 financial year, the primary non-routine decision made by the Board was considering the formation of a 50:50 joint venture (the "JV") with British Airways Pension Trustees Limited ("BAPTL") to acquire from British Land Plc a 25.5% stake (the "Acquisition") in a portfolio of 26 Sainsbury's supermarket properties (the "Portfolio") for £102 million. The Company's contribution to the JV was £51 million, excluding costs, which was satisfied from its existing cash balances and credit facilities. The Portfolio is funded by bonds, which mature in 2023 and the rental income received from the Portfolio pays down the outstanding balance of the bonds to a final amount which will be repayable in 2023 by way of a refinancing or sale of the Portfolio. Given that this transaction is materially different from the direct asset acquisitions that make up the majority of the Company's portfolio and the inherent complexity of the underlying structure the Board obtained extensive, detailed due diligence and legal reports from external advisers. The acquisition was discussed in significant detail and the impact on the wider portfolio was assessed, together with the implications of allocating capital to an investment that was not a direct asset purchase and was non-cash generative in the short term. The Company's relationships with the workforce and its key customers and suppliers did not change significantly as a result of making this investment. The reasons for the acquisition were announced at the time, so that all stakeholders were aware of the decision, and through the shareholder engagement programme investors have had an opportunity to ask questions to understand the Board's decision. The principal benefits of the Acquisition to shareholders included acquiring an interest in a high quality portfolio, progressive valuation growth, optimal capital structuring and providing an attractive potential future pipeline.

B. The interests of the company's employees

While the Group has no employees as a result of its external management structure, the Directors have regard to the interests of the individuals who are responsible for delivery of the investment advisory services to the Company to the extent that they are able to. There have been no strategic initiatives or transactions in the year that were considered to have a direct bearing on the employees of the Investment Adviser. The Board does not have direct responsibility for any employees.

C. The need to foster the company's business relationships with suppliers, customers, the Investment Adviser and others

The Company's principal suppliers, customers and counterparties are the Investment Adviser, professional firms such as lenders, property agents, accounting and law firms, tenants with which we have longstanding relationships and transaction counterparties which are generally large and sophisticated businesses or institutions. The Investment Adviser was appointed in July 2017 and the performance of the Investment Adviser is kept under continual review. There is frequent direct engagement between the Investment Advisory team and the Board. Most professional firms and advisers acting for the business have had relationships with the Company and the Investment Adviser since the IPO in July 2017. Where material counterparties are new to the business, checks, including anti money laundering checks, are conducted prior to transacting any business to ensure that no reputational or legal issues would arise from engaging with that counterparty. The Company also reviews the compliance of all material counterparties with relevant laws and regulations such as the Modern Slavery Act 2015. All Group entities have a policy of paying suppliers in accordance with pre agreed terms as reported in the Supplier Payment Policies below:

Supplier payment policies

Neither the Company nor any of its subsidiary undertakings exceeds the thresholds for reporting payment practices and performance.

The following voluntary disclosures relate to the Group:

- the Group does not have standard or maximum payment terms, but seeks to settle supplier invoices in accordance with pre-agreed terms;
- invoices may be submitted electronically but as the volume of payments is relatively low, the Group does not operate electronic tracking for suppliers;
- the Group does not offer supply chain finance;
- there are no arrangements for participation on supplier lists and no charges for being on such a list;
- the Group is not a member of a payment code of conduct; and
- the average number of days taken to make payments in the year was 23 days (2018: 20 days).

D) The impact of the company's operations on the community and the environment

The interaction of Group entities with the wider community and its impact on the environment is relatively limited as a result of the Group's business operations being entirely related to investment in properties let on long leases, where the operation of the properties, their upkeep and environmental impact is the responsibility of the occupational tenants. The Board's approach to sustainability is explained on pages 25, 29 and 40. The Board and the Investment Adviser have committed to limiting the impact of the business on the environment where possible, including, for example, the reduction during the year of the use of single use plastics, with the aim of fully eliminating their use.

E) The desirability of the company maintaining a reputation for high standards of business conduct

The Board is mindful that the ability of the Company to continue to conduct its investment business and to finance its activities depends in part on the reputation of the Board, the Manager and Investment Advisory Team. The risk of falling short of the high standards expected and thereby risking business reputation is included in the Board's review of the Company's risk register, which is conducted at least annually. Principal risks and uncertainties facing the business are summarised on pages 30 to 39.

F) The need to act fairly as between members of the company.

The Company's shareholders are an incredibly important stakeholder group. The Board oversees the Investment Adviser's formal investor relations programme which is supported by the Company's brokers and financial PR advisers. The Board aims to be open with shareholders and available to them, subject to compliance with relevant securities laws. The investor relations programme is designed to promote formal engagement with major investors, generally defined as those holding more than approximately 1% of the shares in the Company. Major investors are offered meetings after each results announcement. The Board and the Investment Adviser also engage with major investors, other investors who may request meetings and with potential new investors on an ad hoc basis throughout the year including where prompted by Company announcements. All formal shareholder presentations are made available on the Company's

prompted by Company announcements. All formal shareholder presentations are made available on the Company's website and remain available to any interested party. The whole Board attends the Company's Annual General Meeting. The Company has a single class of shares in issue with all members of the Company having equal rights. The investment strategy of the Group is focussed on medium to long term returns and as such the long term is firmly within the sights of the Board when all material decisions are made.

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.

To ensure that risks are recognised and appropriately managed, the Board has agreed a formal risk management framework. This framework sets out the mechanisms through which the Board identifies, evaluates and monitors its principal risks and the effectiveness of the controls in place to mitigate them.

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.

The Board determines the level of risk it will accept in achieving our business objectives, and this has not changed during the year. We have no appetite for risk in relation to regulatory compliance or the health, safety and welfare of our tenants, and service providers, and the wider community in which we work. We continue to have a moderate appetite for risk in relation to activities which drive revenues and increase financial returns for our investors.

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 risk management process includes the Board's identification, consideration and assessment of those emerging risks which may impact the Group. Emerging risks are specifically covered in the risk framework, with assessments made both during the regular quarterly risk review and as potentially significant risks rise during the year. The quarterly assessment includes input from the Investment Advisor and review of information by the AIFM, prior to consideration by the Audit Committee. Key emerging risks considered during the year include:

- uncertainty around the impact of the Brexit transitional arrangements - this is not currently considered to be a significant risk for the REIT, as all our assets and tenants are based in the UK and there is diversity of tenants and assets.
- the impact of the COVID-19 pandemic - this has been evaluated as a significant risk and has been included within the summary of principal risks and mitigations.

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/2478Z_6-2020-9-17.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

	The Supermarket investment market has been seen as a safe haven in a time of distress in other real estate investment categories driving up competition for quality assets. This has led to increased demand for Supermarket assets without a comparable increase in supply, which could potentially increase prices and make it more difficult to deploy capital.	review clauses, which mean we can generate additional income and value from the current Portfolio. We also have the potential to add value through active asset management and we are actively exploring opportunities for all our sites. We maintain a disciplined approach to appraising and acquiring assets, engaging in detailed due diligence and do not engage in bidding wars which drive up prices in excess of underwriting.

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 on the performance of UK supermarket operators. Insolvencies could affect our revenues earned and property valuations.	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 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, keeping the hedging strategy under constant review in order to balance the risk of exposure to rate movements against the cost of implementing hedging instruments. We selectively utilise 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. The company has had two oversubscribed capital raises during the year ended 30 June 2020 which have provided increased liquidity and enabled considerable growth within the year and the numerous acquisitions post year end. We believe that this indicates that alternative credit sources will become available in the short to	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 has remained popular with lenders, owing to long leases and letting to single tenants with strong financial covenants and being seen as a safe asset class in times of market uncertainty. We have seen increased appetite from lenders to provide financing for future acquisitions.

	available in the short to medium term and we will become less reliant on bank funding.	

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.	The Board uses its expertise and experience to set our investment strategy and seeks external advice to underpin its decisions, for example independent asset valuations. There are complex controls and detailed due diligence arrangements in place around the acquisition of assets, designed to ensure that investments will produce the expected results. Significant changes to the Portfolio, both acquisitions and disposals, require specific Board approval. 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. Rental income from our current Portfolio, coupled with our hedging policy, supports the current 5.86 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.

9. Impact of COVID-19

Probability:	Impact:	Mitigation
Low	**Moderate** In addition to the immediate health and social care risks, the potential impact of the pandemic could be significant, including: the potential for reduced rental collection and a corresponding increase in bad debts, this in turn could impact on banking covenants, asset	The underlying strength of the business is the investment grade tenant base. The grocery sector has proven to be robust in the face of the wider challenges posed by the pandemic, reporting increased sales, albeit pitted against higher costs, and a rapid positive response to the changing ways in which customers shopped. This has resulted in the Supermarket asset class being resilient and in high demand, underpinning asset values. All rental income has been received on

	values, returns and potentially dividend. There is also the potential for reduced quality of services and support from professional advisors and service providers.	time and in full. However, it is likely that the pandemic will have an impact across all commercial and business activities. A range of enhanced controls and mitigations have been put in place, including regular updates with the Investment Advisor and diversification of banking relationships and close monitoring of rent collection. Different working arrangements have been implemented for both the Investment Advisor's team and the outsourced Property Managers, which are designed to maintain safe, regular contact and dialogue with tenants, to provide the Board with clear visibility of significant issues and risks arising. The outsourced operating model offers additional resilience, as staff resource absences are more easily covered, and in most cases those providing services to the REIT were already operating with remote working arrangements. The Board is constantly assessing the position, with additional mitigations possible. For example, there is the ability to drawdown under the revolving credit facility and to enter into new credit arrangements which provides comfort that were any of our tenants not pay their rent in full or on time we would have sufficient liquidity to meet our outgoing cash requirements.

Taxation Risk

10. 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** If the Company fails to remain a REIT for UK tax purposes, our profits and gains will be subject to UK corporation tax.	The Board takes direct responsibility for ensuring we 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

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

Probability:	Impact:	Mitigation
High	**Moderate** 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. However, as the deadline for the achievement of a deal approaches the risk of a no deal becomes more likely. There continues to be uncertainty around the potential impact on supply chains which could impact the major supermarket operators.	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. The major supermarket operators used the Covid-19 crisis to test the resilience of their supply chains and have been planning for Brexit since 2016.

Market Price Risk

12. 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	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

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.

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

In light of the significant impact of COVID-19 on the UK economy, and the retail sector, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the Group's and Company's financial statements for the year ended 30 June 2020. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

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, being at least twelve months from the date of approval of the financial statements, and therefore have adopted the going concern basis in the preparation of these financial statements.

During the period covered by this report, the Group has raised a total of £239.8 million from the issue of equity shares and a further £76.6million under the Deka Bank facility. All financial covenants have been met to date.

Post year end the Group entered into a new £100.0 million credit facility with Wells Fargo and has increased the Bayerische Landesbank credit facility by a further £34.8 million. Further details are set out in the notes to the Financial statements. In addition the HSBC facility has been increased by £40 million.

The Group generated net cash flow from operating activities in the period of £26.9 million, with its cash balances at 30 June 2020 totaling £20.4 million. The Group had no capital commitments or contingent liabilities as at the balance sheet date. All contractual rent for the March and June quarters has been collected on time and in full.

The Group benefits from a secure income stream from its property assets that are let to tenants with excellent covenant strength, and are critical to the UK grocery infrastructure, under long leases that are subject to upward only 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 meeting its liabilities as they fall due over the assessment period. The Directors are therefore of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

Assessment of viability

The period over which the Directors consider it feasible and appropriate to report on the Group's viability is the five-year period to 30 June 2025. This period has been selected because it is the period that is used for the Group's medium-term business plans and individual asset performance forecasts. The assumptions underpinning these forecast cash flows and covenant compliance forecasts were sensitised to explore the resilience of the Group to the potential impact of the Group's significant risks, or a combination of those risks. The principal risks on pages 30 to 39 summarise those matters that could prevent the Group from delivering on its strategy. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur. The Directors paid particular attention to the risk of a deterioration in economic outlook which could impact property fundamentals, including investor and occupier demand which would have a negative impact on valuations, and give rise to a reduction in the availability of finance.

COVID -19: In light of the COVID-19 pandemic, the Board also paid attention to the impact of either a reduction in availability of funds under the existing RCF or a delay to the receipt of rental incomes. However, the full facility amount continued to be available under the RCF and all rental income was received on time and in full. The additional risk from the pandemic was therefore not considered to be material to the Group.

The remaining principal risks, whilst having an impact on the Group's business model, are not considered by the Directors to have a reasonable likelihood of impacting the Group's viability over the five-year period to 30 June 2025.

The sensitivities performed were designed to be severe but plausible; and to take full account of the availability of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks:

Tenant risk: Key assumptions including the failure of tenants to (or guarantors where relevant) continue to comply with their rental obligations over the term of their leases and the related impact on yields were sensitised to reflect reasonably likely levels associated with the failure of a key tenant.

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 2022 and the £52.1 million Term Loan falling due in July 2023 on acceptable terms. The Group does not have a significant refinancing event occurring until December 2024. Financing is arranged in advance of expected requirements and the Directors have reasonable confidence that additional or replacement debt facilities will be put in place at the point of refinancing.

Liquidity risk: The Group continues to generate sufficient cash to cover its costs while retaining the ability to make distributions.

Viability Statement

The Board has assessed the prospects of the Group over the five years from the balance sheet date to 30 June 2025,

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) fail to comply with their rental obligations over the term of their leases and a key tenant suffers an insolvency event 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 2022 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 10 to 16 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 17 to 22. Disclosures in relation to environmental and social issues have been included within Corporate Social Responsibility on pages 40 to 41. 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, the Investment Adviser's report and the supplementary information.

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 17 September 2020.

Nick Hewson

Chairman

17 September 2020

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. This has been particularly evident during the Covid-19 pandemic, Supermarkets provided essential services to the local population and in increasing the numbers of delivery

slots particularly to vulnerable and shielding individuals. Supermarkets also increased staff numbers materially providing employment to people who had lost their jobs or been furloughed.

Whistleblowing Policy
The whistleblowing policy applicable to all Atrato staff who work on the Group's operations encourages employees to raise concerns they may have over the way the company is run or about conduct of those running it with Senior managers/directors. With this policy in mind the Group will want to hear any concerns or issues the employee may have about suspected malpractice or unlawful activity. In order to maintain this level of transparency the Group has a set of procedures that allows genuine concerns to be dealt with appropriately. The policy is reviewed and approved by the Audit Committee each year for recommendation (if appropriate) to the Board, and that policy provides for direct lines of communication from Atrato staff to Independent Directors if required. To date no such reports have been made but, in the event that any arise, the Audit Committee will in the first instance investigate on behalf of the Board and follow up any matters arising, reporting their results to the Board.

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 30 June 2020.

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 5.8 pence per share were declared:

Date declared	Amount per share (pence)	Date paid
08 July 2019	1.419	07 August 2019
08 October 2019	1.419	07 November 2019
08 January 2020	1.460	07 February 2020
08 April 2020	1.460	22 May 2020
08 July 2020	1.460	07 August 2020

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 1 to 39.

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 emerging and principal risks facing the Group and the disclosures, as described in the Strategic Report on pages 1 to 39, that describe those risks, the procedures in place to identify them, and explain how they are being managed or mitigated.

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	4/4
Vince Prior	3/3	4/4
Jon Austen	3/3	4/4
Cathryn Vanderspar	N/A	2/2

All Directors in office at the time attended the Company's AGM held on 7 November 2019. Cathryn Vanderspar was not appointed until February 2020.

All members of the Board attended the inaugural meetings of both the Remuneration and Nominations Committee, both of which were held on 6 May 2020. No other meetings of these Committees were held during the year.

Investment Advisory Agreement

The Board as whole is responsible for the review of the performance and terms of engagement with the Investment Advisor.

In reviewing the terms of the Investment Advisory Agreement (material terms of which are summarised in note 25 to the financial statements) and the fee arrangements within it, the Board has considered the extent to which the outcome for shareholders and management is consistent with the provisions of the UK Corporate Governance Code.

Specifically:

- Clarity and transparency is achieved by way of the structure of the Investment Advisory Agreement which compensates the Adviser through the advisory fee to cover all overheads and running costs relating to the Group and which provides strong shareholder alignment through the payment of the Semi-annual fees, which are to be used to purchase further shares in the Company.
- The structure of and rationale behind the Investment Adviser's fees are explained in note 25 to the financial statements and are designed to be simple and not to require subjectivity in their calculation.
- Given the simple arithmetic underlying the fee calculations, the range of potential outcomes is straightforward to calculate and not subject to discretion. While the Code recommends oversight of the level of reward to individual team members, this is not appropriate in the case of an externally managed structure where the Independent Directors do not control the workforce.

Certain provisions within the Investment Advisory Agreement have been amended to provide additional flexibility around the payment of the semi-annual fee and to encourage participation for employees of the Adviser.

The scope of the Investment Advisory Agreement has been widened to incorporate the provision of certain accounting and Administrative functions, for which the Adviser will be remunerated. The fee levels for these services will be benchmarked and subject to annual review.

The Board has sought and received confirmation from the Investment Adviser that it complies with all governance requirements relevant to it. Such confirmation will be sought at least annually.

Directors

All three Directors retired and were re-elected at the AGM on 7 November 2019. 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. The level of cover was increased to £20m on 19 July 2020 and 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 2020 were as follows:

	Number of shares	Percentage of issued share capital
Nick Hewson	468,525	0.989%
Jon Austen	144,270	0.305%
Vince Prior	76,019	0.016%
Cathryn Vanderspar	19,418	0.004%

Significant shareholdings

As at 30 June 2020 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
Thames River Capital	32,910,821	6.95%
Premier Milton Investors	32,441,967	6.85%
Quilter Cheviot Investment Management	31,796,558	6.71%
Close Brothers Asset Management	31,309,354	6.61%
Smith and Williamson Wealth Management	27,610,884	5.83%

Cazenove Capital Management	25,462,546	5.38%
West Yorkshire PF	25,266,291	5.33%
Canaccord Genuity Wealth Management (Inst)	21,941,748	4.63%
Aberdeen Standard Investments	19,831,500	4.19%
Ruffer	16,707,454	3.53%
River and Mercantile	16,125,471	3.40%

Political contributions
The Group made no political contributions during the year (year ended 30 June 2019: none).

Energy and Carbon reporting
The Board has considered the requirement to disclose the Company's measured carbon emissions sources under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

During the year ended 30 June 2020:

- 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 2020 (12 months to 30 June 2019: 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 the 6 July 2020 the Group announced the acquisition of a Portfolio of 6 omnichannel supermarkets via a sale and leaseback transaction with Waitrose for £74.1 million (excluding acquisition costs), which are let to Waitrose on new 20-year leases with a tenant-only break option in year 15 and are subject to five-yearly, upward-only, CPIH-linked rent reviews.
- On the 27 July 2020 the Group announced the acquisition of a Tesco store in Newmarket, which was acquired for £61.0 million (excluding acquisition costs) with an unexpired lease term of 15 years with annual, upward-only, RPI-linked rent reviews.
- On the 10 August 2020, the Group announced the acquisition of a Morrisons store in Telford, which was acquired for £14.3 million (excluding acquisition costs) with an unexpired lease term of 13 years with five-yearly, upward-only, RPI-linked rent reviews.
- On the 14 September 2020, the Group announced the acquisition of a Tesco in Bracknell, Berkshire for £39.5m (excluding acquisition costs) with 10 years unexpired lease term and annual, upward-only, RPI-linked rent reviews.
- On the 27 July 2020, the Group announced a new revolving credit facility ("RCF") of £60.0 million with Wells Fargo. This secured, interest-only, RCF has an initial five-year term and two further one-year extension options. The RCF has a margin of 2.0% above 3-month Libor which is currently equivalent to a total cost of 2.1%. The RCF also includes a £100 million uncommitted accordion option, exercisable at any time over the term of the facility.
- In August 2020, the Group also increased facilities with Bayerische Landesbank by £34.8 million comprising a new £27.5 million, secured, five-year tranche and a further £7.3 million tranche, upsizing its existing £52.1 million secured term loan for the remaining three-year term. The new facilities are in both cases priced at a 1.85% margin over 3-month Libor, representing a total cost of debt of 2.0%.
- On the 15 September 2020 the Group agreed an increase to our existing HSBC RCF of £40.0 million at a 1.75% margin over 3-month Libor, representing a total cost of debt of 1.8% whilst other terms remain the same as the existing £100m RCF.
- Increased dividend target for the FY 2021 to 5.86 pence per share, increased in line with June 2020 RPI inflation.

Other disclosures
Disclosures of financial risk management objectives and policies and exposure to financial risks are included in note 20 to the financial statements. Details of future developments are included in the Strategic Report on pages 1 to 39. Details of the Company's capital structure is included within the Financial Statements on page 49.

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 7 November 2019. BDO LLP have expressed their willingness to continue as auditor for the financial year ending 30 June 2021. 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 17 September 2020.

Nick Hewson
Chairman
17 September 2020

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT

Background
The Alternative Investment Fund Manager's Directive (the "**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 currently 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 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 12 September, 2019, save as updated in the supplementary prospectus dated 9 April, 2020 and as disclosed below and in certain sections of the Strategic Report, those being the Chairman's Statement, Investment Adviser's Report, Our Market, Implementing the Group's Investment Policy 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, the Directors' Report and in notes 17 and 19 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 "Financing and Hedging" in the Investment Adviser's Report and in notes 17, 18 and 26 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, Graham Taylor and Gregory Kok, because they were all 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*, such fee being payable quarterly in arrears. The total fees paid to the AIFM during the year under review were £110,966.

JTC Global AIFM Solutions Limited
Alternative Investment Fund Manager
17 September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Rental income	4	26,352	17,231
Administrative and other expenses	5	(5,184)	(3,088)
Operating profit before changes in fair value of investment properties and share of income from joint venture		**21,168**	**14,143**
Changes in fair values of investment properties	12	13,052	647
Share of income from joint venture	14	486	-
Negative goodwill	14	2,960	-
Total share of income from joint venture		**3,446**	**-**
Operating profit		**37,666**	**14,790**
Finance expense	8	(4,903)	(4,180)
Profit before taxation		**32,763**	**10,610**
Tax charge for the year	9	-	(18)

Profit for the year		**32,763**	**10,593**
Items to be reclassified to profit or loss in subsequent periods			
Fair value movements in interest rate derivatives	17	(818)	(1,121)
Total comprehensive income for the year		**31,945**	**9,471**
Total comprehensive income for the year attributable to ordinary shareholders		**31,945**	**9,471**
Earnings per share - basic and diluted	10	9.8 pence	5.3 pence

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	As at 30 June 2020 £'000	As at 30 June 2019 £'000
Non-current assets			
Investment properties	12	539,410	368,230
Investment in Joint ventures	14	56,081	-
Total non-current assets		**595,491**	**368,230**
Current assets			
Trade and other receivables	15	1,702	3,521
Cash and cash equivalents		20,353	9,898
Total current assets		**22,055**	**13,419**
Total assets		**617,546**	**381,649**
Non-current liabilities			
Bank borrowings	18	126,791	143,708
Interest rate derivatives	17	1,988	1,113
Total non-current liabilities		**128,779**	**148,821**
Current liabilities			
Deferred rental income		5,203	3,543
Corporation tax liability		-	245
Trade and other payables	16	6,403	2,570
Total current liabilities		**11,606**	**6,358**
Total liabilities		**140,385**	**151,179**
Net assets		**477,161**	**230,470**
Equity			
Share capital	20	4,735	2,398
Share premium reserve	20	436,126	203,672
Capital reduction reserve	20	-	14,391
Retained earnings		38,321	11,212
Cash flow hedge reserve		(2,021)	(1,203)
Total equity		**477,161**	**230,470**
Net asset value per share - basic and diluted	24	101 pence	96 pence
EPRA NAV per share	24	101 pence	97 pence

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 September 2020 and were signed on its behalf by:

Nick Hewson
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

	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 2019	**2,398**	**203,672**	**(1,203)**	**14,391**	**11,212**	**230,470**
Comprehensive income for the year						
Profit for the year	-	-	-	-	32,763	32,763
Other comprehensive income	-	-	(818)	-	-	(818)
Total comprehensive income for the year	**-**	**-**	**(818)**	**-**	**32,763**	**31,945**
Transactions with owners						
Ordinary shares issued at a premium during the year	2,337	237,483	-	-	-	239,820
Share issue costs	-	(5,029)	-	-	-	(5,029)
Interim dividends paid	-	-	-	(14,391)	(5,654)	(20,045)
As at 30 June 2020	**4,735**	**436,126**	**(2,021)**	**-**	**38,321**	**477,161**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 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**	**9,472**
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 CASH FLOW
For the year ended 30 June 2020

	Notes	1 July 2019 to 30 June 2020 £'000	1 July 2018 to 30 June 2019 £'000
Operating activities			
Profit for the year (attributable to ordinary shareholders)		32,763	10,593
Adjustments for:			
Changes in fair value of Investment properties	12	(13,052)	(647)
Movement in rent smoothing adjustments	4	(865)	(366)
Finance expense	8	4,903	4,180
Tax expense	9	-	18
Negative goodwill arising on acquisition of interest in Joint venture	14	(2,960)	-
Share of income from Joint venture	14	(486)	-
Cash flows from operating activities before changes in working capital		20,303	13,777
Increase in trade and other receivables		1,819	(2,486)
Increase in deferred rental income		1,659	1,877
Corporation tax paid		(245)	
Increase in trade and other payables		3,411	745
Cash flows from operating activities		**26,947**	**13,913**
Investing activities			
Acquisition of investment properties	12	(148,825)	(85,450)
Investment in Joint venture	14	(52,635)	
Capitalised acquisition costs	12	(8,438)	(5,617)
Net cash flows used in investing activities		**(209,898)**	**(91,067)**
Financing activities			
Proceeds from issue of ordinary share capital	20	239,820	45,000
Costs of share issues	20	(5,029)	(1,062)
Bank borrowings drawn	19	141,510	128,341
Bank borrowings repaid	19	(157,744)	(72,291)
Loan arrangement fees paid	19	(1,270)	(933)
Bank interest paid	19	(4,116)	(3,323)
Bank commitment fees paid	19	(165)	(42)
Interest rate cap premium paid	17	-	(27)
Dividends paid to equity holders	11	(19,600)	(10,850)
Net cash flows from financing activities		193,406	**84,813**
Net increase in cash and cash equivalents for the year		**10,455**	**7,659**
Cash and cash equivalents at the beginning of the year		**9,898**	**2,239**
Cash and cash equivalents at the end of the year		**20,353**	**9,898**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 The Scalpel 18th Floor, 52 Lime Street, London, United Kingdom EC3M 7AF. 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 2020 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.

Basis of preparation
The consolidated financial information set out in this report covers the year to 30 June 2020, with comparative figures relating to the year to 30 June 2019, and includes the results and net assets of the Group. The financial information 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 2020 or 30 June 2019, 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 2019 have been delivered to the Registrar of Companies and those for the year ended 30 June 2020 will be delivered following the Company's AGM. The auditors' reports on both the 30 June 2020 and 30 June 2019 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 statements have 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.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, other than where new policies have been adopted.

Going concern
In light of the significant impact of COVID-19 on the UK economy, and the retail sector, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the Group's and Company's financial statements for the year ended 30 June 2020. 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 £239.8 million from the issue of equity shares and a further £76.6million under the Deka Bank facility referred to in note 18. All financial covenants have been met to date.

The Group generated net cash flow from operating activities in the period of £26.9 million, with its cash balances at 30 June 2020 totalling £20.4 million. The Group had no capital commitments or contingent liabilities as at the balance sheet date. All contractual rent for the March and June quarters has been collected on time and in full.

The Group benefits from a secure income stream from its property assets that are let to tenants with excellent covenant strength, and are critical to the UK grocery infrastructure, under long leases that are subject to upward only 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.

Accounting convention and currency
The 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.

Adoption of new and revised standards
There were a number of new standards and amendments to existing standards which are required for the Group's accounting period beginning on 1 July 2019, which have been considered and applied as follows:

IFRS 16 Leases. In January 2016, the IASB published the final version of IFRS 16 Leases. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leasing arrangements. The new standard results in almost all leases held as lessee being recognised on the balance sheet, as the distinction between operating and finance leases is removed. However, IFRS 16 has not impacted operating leases held by the Group where the Group is lessor.

Given headlease rentals on the Group's leasehold properties are for a peppercorn there are no material lease payments for the Group as a lessee.

Therefore, the adoption of IFRS 16 has not had a material impact on the Group's accounting policies and financial statements. As part of the transition, the Group reassessed the classification of all subleases by reference to the requirements of IFRS 16 but this resulted in no reclassifications.

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
There are a number of new standards and amendments to existing standards which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2020 or later. The Group is not adopting these standards early and does not expect the adoption of new accounting standards issued but not yet effective to have a significant impact on its financial statements.

Significant accounting judgements, estimates and assumptions
The preparation of these financial statements in accordance with IFRS requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements.

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 RICS issued a valuation practice alert on the 14 May 2020 which prescribed commercial real estate such as those owned by the Group did not require a material uncertainty clause. Accordingly, the independent valuer did not include any material valuation uncertainty clause in relation to the valuation of the Group's investment property for 30 June 2020 as there was sufficient transactional evidence to support valuations in accordance with Red Book procedure.

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: Joint ventures - joint control
On 28 May 2020 the Group entered into a 50:50 joint venture with the British Airways Pension Trustees Limited to acquire 100% of the issued share capital in Horndrift Limited for a combined total consideration of £102m plus costs. Horndrift Limited holds a 25.2% share of certain beneficial interests in a property trust arrangement / bond securitisation structure (the "Structure") that holds a portfolio of 26 Sainsbury's supermarket properties funded by bonds which mature in 2023.

The classification and accounting treatment of the Group's interest in the property trust arrangement in the Group's consolidated financial statements is subject to significant judgement. By reference to the relevant facts and circumstances surrounding Horndrift's interest in the Structure, principally being the contractual arrangements and deeds that regulate the Structure, it was determined whether Horndrift, together with the other key parties of the Structure had the ability to jointly control the Structure through their respective rights as defined by the contractual arrangements and deeds of the Structure. The review of Horndrift's and the other key parties rights required significant judgement in assessing whether the rights identified were substantive as defined by IFRS 10 Consolidated Financial Statements, principally in respect of whether there were any economic barriers that prevent Horndrift or the other key parties from exercising their rights. Through assessing the expected possible outcomes either before or upon maturity of the Structure it was determined that there were no significant economic barriers that would prevent Horndrift or the other key parties from exercising their rights under the contractual arrangements and deeds of the Structure.

The directors have therefore concluded that through its interest in Horndrift Limited the Group indirectly has joint control of the Structure as defined by IFRS 10 Consolidated Financial Statements. As such the Group's interest in the Structure is required to be accounted for using the equity method of accounting under IAS 28.

Key judgement: Fair value measurement of joint venture on initial acquisition
A purchase price allocation exercise was carried out to determine the fair value of the Group's share of identifiable net assets of its joint venture interest in the property trust arrangement. Significant judgement was applied in selecting the assumptions used as part of the fair value measurement, particularly in respect of the investment property assets, fixed rate bonds and interest rate derivatives held within the structure.

Fair values of investment properties were determined on a comparable basis to that used in valuing the Group's directly held investment properties, as described above.

Fair values of the fixed rate bonds and interest rate derivatives have been calculated using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison to instruments with characteristics similar to those of the property trust arrangement. Both the interest rate swap and secured bonds were valued in accordance with IFRS 13 Fair Value Measurement level 3 using discount cash flow valuation techniques.

The above exercise resulted in the recognition of negative goodwill. The Directors considered whether this gave rise to any impairment to the carrying value of the joint venture and determined that no impairment provision was required.

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 2020.

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 Business Combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

3.3 Joint Ventures

Interests in joint ventures are accounted for using the equity method of accounting. The Group's joint ventures are entities over which the Group has joint control with a partner. Investments in joint ventures are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment or share of income adjusted for dividends. In assessing whether a particular entity is controlled, the Group considers the same principles as control over subsidiaries as described in note 3.1

3.4 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.

3.5 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 lease term;
- 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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 as under IAS 39. 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.

3.12 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 20.

3.13 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.

3.14 Occupational leases

The Directors exercise judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IFRS 16 "Leases" for all occupational 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. Where a lease is a sub-lease, this classification is determined by reference to the right-of-use asset arising from the headlease, rather than by reference to the underlying asset. All occupational leases reflected in these financial statements are classified as operating leases.

4. Rental income

	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Rental income - freehold property	10,725	4,280
Rental income - long leasehold property	15,627	12,951
Total rental income	**26,352**	**17,231**
Insurance / service charge income	315	163
Insurance / service charge expense	(315)	(163)
Total rental income	**26,352**	**17,231**

Included within rental income is a £865,000 (2019: £366,000) rent smoothing adjustment that arises as a result of IFRS 16 '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 £12,844,000 (2019: £10,500,000) relating to the Group's largest tenant, £10,725,000 (2019: £4,280,000) relating to the Group's second largest tenant and £2,783,000 (2019: £2,451,000) relating to the Group's third largest tenant.

5. Administrative and other expenses

	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Investment Adviser fees (Note 25)	3,252	1,814
Directors' remuneration (Note 7)	165	145
Corporate administration fees	317	372
Legal and professional fees	708	396
Other administrative expenses	742	361
Total administrative and other expenses	**5,184**	**3,088**

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:

	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Audit of the Company's consolidated and individual financial statements	210	74
Audit of subsidiaries, pursuant to legislation	41	21
Total audit services	**251**	**95**
Audit related services: interim review	26	25
Total audit and audit related services	**277**	**120**

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:

	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Other non-audit services: corporate finance services in connection with the March 2019 placing	-	30
Other non-audit services: corporate finance services in connection with the October 2019 and May 2020 placing	65	
Total other non-audit services	**65**	**30**
Total fees charged by the Group's auditor	**342**	**150**

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 October 2019 and May 2020. 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:

	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Directors' fees	148	134

Employer's National Insurance Contribution	17	12
Total Directors' remuneration	**165**	**146**

The highest paid director received £55,000 (2019: £55,000) for services during the year.

8. Finance expense

	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Interest payable on bank borrowings and hedging arrangements	3,685	3,334
Fair value adjustment of interest rate derivatives (Note 17)	294	252
Commitment fees payable	280	47
Amortisation of loan arrangement fees	587	492
Amortisation of interest rate derivative premium (Note 17)	57	54
Total finance expense	**4,903**	**4,180**

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

	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Total interest expense on financial liabilities held at amortised cost	4,271	3,827
Fee expense not part of effective interest rate for financial liabilities held at amortised cost	280	47
Total finance expense	**4,551**	**3,873**

9. Taxation

A) Tax charge in profit or loss

	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Corporation tax	-	18

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.

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

	Year to 30 June 2020 £'000	Year to 30 June 2019 £'000
Profit on ordinary activities before taxation	32,763	10,610
Theoretical tax at UK standard corporation tax rate of 19%	6,225	2,016
Effects of:		
Investment property revaluation not taxable	(2,480)	(123)
Negative goodwill not taxable	(562)	
REIT exempt income	(3,183)	(1,893)
Adjustments in respect of prior year	-	18
Tax charge for the year	**-**	**18**

10. Earnings per share

Earnings per share (EPS) amounts are calculated by dividing the profit or loss for the year 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 and negative goodwill.

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

For the year ended 30 June 2020	Net profit attributable to ordinary shareholders £' 000	Weighted average number of ordinary shares[1] Number	Earnings/ per share Pence
Basic and diluted EPS	32,763	334,236,233	9.8p
Adjustments to remove:			
Changes in fair value of investment properties	(13,052)	-	(3.9)p
Negative goodwill	(2,960)		(0.9)p
EPRA EPS	**16,751**	**334,236,233**	**5.0p**

For the year ended 30 June 2019	Net profit attributable to ordinary shareholders £' 000	Weighted average number of ordinary shares[1] Number	Earnings/ per share Pence

For the year ended 30 June 2020	£'000	Number	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 2019 to 30 June 2020 £'000	1 July 2018 to 30 June 2019 £' 000
Amounts recognised as a distribution to ordinary shareholders in the year:		
Dividends paid	20,045	10,934

On 8 July 2019, the Board declared a Q4 interim dividend of 1.419 pence per share, which was paid on 7 August 2019 to shareholders on the register on 19 July 2019.

On 8 October 2019, the Board declared a Q1 interim dividend of 1.419 pence per share, which was paid on 7 November 2019 to shareholders on the register on 18 October 2019.

On 8 January 2020, the Board declared a Q2 interim dividend of 1.460 pence per share, which was paid on 7 February 2020 to shareholders on the register on 17 January 2020.

On 8 April 2020, the Board declared a Q3 interim dividend of 1.460 pence per share, which was paid on 22 May 2019 to shareholders on the register on 01 May 2020.

On 8 July 2020, the Board declared a Q4 interim dividend of 1.460 pence per share, which was paid on 7 August 2020 to shareholders on the register on 17 July 2020. This has not been included as a liability as at 30 June 2020.

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 2019	84,450	283,780	368,230
Property additions	148,825	-	148,825
Capitalised acquisition costs	8,438		8,438
		-	
Revaluation movement	2,317	11,600	13,917
Valuation at 30 June 2020	**244,030**	**295,380**	**539,410**

	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**

All property acquisitions in the period were direct asset acquisitions.

Of the six properties held under long leaseholds, one has 119 years unexpired on the headlease, one has 158 years with the option to extend and option to acquire, three have 986 years unexpired and one has 989 year unexpired. The Group has no material liabilities in respect of these headleases.

Included within the carrying value of investment properties at 30 June 2020 is £1,560,000 (2019: £694,000) 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 2019 to 30 June 2020 £'000	1 July 2018 to 30 June 2019 £' 000
Revaluation movement per above	13,917	1,013
Rent smoothing adjustment (note 4)	(865)	(366)
Change in fair value recognised in profit or loss	**13,052**	**647**

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
Significant unobservable inputs include: the estimated rental value ("ERV") based on market conditions prevailing at the valuation date and the equivalent yield (defined as the weighted average of the net initial yield and reversionary yield). Other unobservable inputs include but are not limited to the future rental growth - the estimated average increase in rent based on both market estimations and contractual situations 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 valuation 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 2020 range from 4.27% to 6.21% (2019: 4.36% to 5.70%). A 0.25% shift of the initial yield on all the Group's investment properties would have an approximate £23.8 million (2019: £18.1 million) impact on the total valuation of the properties. Passing rents on the Group's investment properties at 30 June 2020 range from £1.6 million to
£4.0 million (2019: £1.6 million to £3.9 million). A 1% movement in the passing rents across all the Group's investment properties would have approximately a £2.9 million (2019: £3.7 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 2020 all of which are wholly owned. All subsidiary undertakings are incorporated in England with their registered office at The Scalpel 18th Floor, 52 Lime Street, London, United Kingdom EC3M 7AF.

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 (Midco4) UK* Limited	Direct	Intermediate parent company
SII UK Halliwell (MIDCO) LTD*	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
Supermarket Income Investments UK (NO8) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO9) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO10) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO11) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO12) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO16) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO16a) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO16b) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO16c) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO17) Limited*	Indirect	Property investment
SII UK Halliwell (No1) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No2) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No3) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No4) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No5) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No6) LTD*	Indirect	Investment in Joint venture

* New subsidiaries incorporated during the year ended 30 June 2020

14. Investment in joint ventures
As at 30 June 2020 the group has one joint venture investment. On the 28 May 2020, entered into a 50:50 joint venture with the British Airways Pension Trustees Limited to acquire 100% of the issued share capital in Horndrift Limited for a combined total consideration of £102m plus costs.

Horndrift Limited holds a 25.2% share of certain beneficial interests in a property trust arrangement that holds a portfolio of 26 Sainsbury's supermarket properties funded by bonds which mature in 2023 (the "Structure"). Rental surpluses generated by the Structure are required to be applied in the repayment of the bonds and not therefore capable of being transferred to the joint venture or group until those bonds have been repaid.

The Group deem this to be a joint venture, as through its 50:50 share of a 25.2% of beneficial interest in a property trust arrangement it indirectly has joint control of the Structure. The joint venture ownership structure is summarised below:

Partner	Ownership	Address and principal place of business	
Jersey			
Horner (Jersey) LP	British Airways Pensions Trustees Limited	Third Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH parent company	50% owned by the Group
Horner REIT Limited		Third Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH parent company	100% owned by Horner (Jersey) LP
United Kingdom			
Horndrift Limited		Langham Hall UK LLP, 1 Fleet Street, London, E4M 7RA	100% owned by Horner REIT Limited

	2020 £'000
Opening balance	-
Acquired in the year	52,635
Negative goodwill arising on acquisition	2,960
Group's share of profit after tax excluding negative goodwill	486
Closing Balance	**56,081**

A purchase price allocation ("PPA") exercise was carried out to compare the fair value of the Group's share of identifiable net assets of Horndrift Limited and its joint venture interest in the Structure. The notional PPA exercise resulted in a bargain purchase of £2,960,000 which increased the carrying value of the investment in the joint venture to £55,595,000 as at the date of acquisition. The gain on bargain purchase arises as a result of the fair value of the interests in the individual assets and liabilities acquired at the transaction date exceeding the consideration paid for the investment as a whole.

The joint venture entities have a 31 March year end. For accounting purposes consolidated management accounts have been prepared for the joint venture for the period from acquisition to
30 June 2020 using accounting policies that are consistent with those of the Group.

The financial statements of Horner (Jersey) LP prepared on this basis would be as follows:

Statement of comprehensive income	**Period ended 30 June 2020 £'000**
Share of income from joint venture	971
Profit for the period and total comprehensive income	**971**
Group's share of profit for the period	**486**

Statement of financial position	**30 June 2020 £'000**
Investment in joint venture	112,161
Net assets	**112,161**
Group's share of net assets	**56,081**

Horner (Jersey) LP's share of the aggregate amounts recognised in the consolidated statement of comprehensive income and statement of financial position of the Structure are as follows:

	Period ended 30 June 2020 £'000
Rental income	1,224
Administrative and other expenses	(8)
Operating profit	**1,216**
Finance expense	(171)
Profit before taxation	**1,045**
Tax charge for the period	(74)
Profit for the period	**971**
Group's share of profit for the period	**486**

	30 June 2020 £000's
Non-current assets	
Investment properties	227,400
Total non-current assets	**227,400**
Current assets	
Trade and other receivables	7,403
Cash and cash equivalents	-
Total current assets	**7,403**
Total assets	**234,803**
Non-current liabilities	

Debt securities in issue	102,320
Interest rate derivative	6,478
Deferred tax	5,376
Other liabilities	4,445
Total non-current liabilities	**118,619**
Current liabilities	
Trade and other payables	4,023
Total current liabilities	**4,023**
Total liabilities	**122,642**
Net assets	**112,161**
Group's share of net assets	**56,081**

15. Trade and other receivables

	As at 30 June 2020 £'000	As at 30 June 2019 £'000
Other receivables	1,629	3,503
Prepayments and accrued income	73	17
Total trade and other receivables	**1,702**	**3,521**

All other receivables relate to amounts that are less than 30 days overdue as at the period end date.

16. Trade and other payables

	As at 30 June 2020 £'000	As at 30 June 2019 £'000
Corporate accruals	5,279	1,828
VAT payable	1,124	742
Total trade and other payables	**6,403**	**2,570**

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

17. Interest rate derivatives

	As at 30 June 2020 £'000	As at 30 June 2019 £' 000
Non-current liability: Interest rate cap	-	(18)
Non-current liability: Interest rate derivative	(1,988)	(1,095)

The interest rate cap and interest rate swap 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	(1,113)	37
Interest rate cap premium paid on inception	-	26
Amortisation of cap premium in the period (note 8)	(57)	(55)
Changes in fair value of interest rate derivative in the period	(1,112)	(1,374)
Charge to the Income Statement (note 8)	294	253
Fair value as at 30 June 2020	**(1,988)**	**(1,113)**

To partially mitigate the interest rate risk that arises as a result of entering into the debt facilities referred to in note 18, 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 2020 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 2020 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. All of the Group's variable rate debt was hedged as at 30 June 2020 (30 June 2019: 80%) with £63.5 million of the cap not currently being utilised in a hedging relationship. It is the Group's target to hedge at least 60% of the Group's total debt at any time using interest rate derivatives.

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.

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.

18. Bank borrowings

	As at 30 June 2020 £'000	As at 30 June 2019 £'000
Amounts falling due after more than one year:		
Secured debt	128,660	144,894

Less: Unamortised finance costs	(1,869)	(1,186)
Bank borrowings per the consolidated statement of financial position	**126,791**	**143,708**

Secured debt comprises a revolving credit facility (the 'credit facility') of £100 million with HSBC Bank Plc, a five year interest-only loan facility ('the BLB loan facility') of £52.1 million with Bayerische Landesbank and a five year fixed rate loan facility ('the Deka loan facility') of £76.6 million with Deka Bank.

The credit facility is secured on four Tesco assets (Thetford, Bristol, Cumbernauld and Scunthorpe). The BLB loan facility is secured on Sainbury's, Ashford and Morrisons, Sheffield and the Deka loan facility is secured on Tesco Mansfield and two Sainsbury's assets (Cheltenham and Preston).

During June 2020 the Group exercised a 12-month extension on the credit facility from 30 August 2021 to 30 August 2022. The original terms of the credit facility are unchanged. At June 2020, £100 million has remained undrawn 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.

As at 30 June 2020, the full amount of the BLB 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%.

As at 30 June 2020, the full £76.6 million of the Deka loan facility has been drawn down. The Deka loan facility has been entered into as a fixed rate agreement, fixing the interest rate at 1.95% over the term of the facility.

All three facilities have loan covenants of 60% LTV and 200% interest cover. There have been no defaults or breaches of any loan covenants during the current or any prior period. As at 30 June 2020, under the HSBC credit facility, loan covenants were 0% LTV and 1260% interest cover, under the BLB

facility, loan covenants were 35% LTV and 520% interest cover and under the Deka facility, loan covenants were 48% LTV and 565% interest cover.

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.

On the 27 July 2020, the Group announced a new revolving credit facility ("RCF") of £60.0 million with Wells Fargo. This secured, interest-only, RCF has an initial five-year term and two further one-year extension options. The RCF has a margin of 2.0% above 3-month Libor which is currently equivalent to a total cost of 2.1%. The RCF also includes a £100 million uncommitted accordion option, exercisable at any time over the term of the facility.

In August 2020, the Group also increased facilities with Bayerische Landesbank by £34.8 million comprising a new £27.5 million, secured, five-year tranche and a further £7.3 million tranche, upsizing its existing £52.1 million secured term loan for the remaining three-year term. The new facilities are in both cases priced at a 1.85% margin over 3-month Libor, representing a total cost of debt of 2.0%.

In September 2020 the Group agreed an increase to our existing HSBC RCF of £40.0 million at a 1.75% margin over 3-month Libor, representing a total cost of debt of 1.8% whilst other terms remain the same as the existing £100m RCF.

19. Categories of financial instruments

	As at 30 June 2020 £'000	As at 30 June 2019 £'000
Financial assets		
Financial assets at amortised costs:		
Cash and cash equivalents	20,353	9,898
Trade and other receivables	1,629	3,503
Total Financial Assets	21,982	**13,401**
Financial liabilities		
Financial liabilities at amortised cost:		
Secured debt	126,791	143,708
Trade and other payables	5,279	1,828
Derivatives in effective hedges:		
Interest rate derivative	1,988	1,113
Total Financial Liabilities	**134,058**	**146,649**

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 17.

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 17 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 2019 to 30 June 2020 £'000	1 July 2018 to 30 June 2019 £' 000
Effect on profit for the current period	130	142
Effect on other comprehensive income and equity	(233)	(211)

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 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 2020 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 2020 rate. Interest rate derivatives are shown at fair value and not at their gross undiscounted amounts.

As at 30 June 2020	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	20,353	-	-	-	20,353
Trade and other receivables	1,629	-	-	-	1,629
Total Financial assets	**21,982**	**-**	**-**	**-**	**21,982**
Financial liabilities:					
Bank borrowings	2,821	5,642	128,660	-	137,123
Trade payables and other payables	5,279	-		-	5,279
Interest rate derivatives	-	-	1,988	-	1,988
Total Financial liabilities	**8,100**	**5,642**	**130,648**	**-**	**144,390**

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**

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. Covenants associated with the bank borrowings are referred to in note 18. The Group does not provide any cross-group guarantees nor does the Company act as a guarantor to the lending bank.

At 30 June 2020, the capital structure of the Group consisted of bank borrowings (note 18), 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 20 and 21).

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 2019	**143,708**	**715**	**1,113**	**145,535**
Cashflows:				
Debt drawdowns in the Year	141,510	-	-	141,510
Debt repayments in the Year	(157,744)	-	-	(157,744)
Interest and commitment fees paid	-	(4,282)	-	(4,282)
Loan arrangement fees paid	(1,270)	-	-	(1,270)
Non-cash movements:				
Finance costs in the statement of comprehensive income	587	4,259	57	4,903
Fair value changes		-	818	818
At 30 June 2020	**126,791**	**692**	**1,988**	**129,470**

	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**

Movements in respect to share capital are disclosed in note 20 below.

The interest and commitment fees payable are included within the corporate accruals balance in note 16. 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 17.

20. 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 2019	**239,833,219**	**2,398**	**203,672**	**14,391**	**220,461**
Ordinary shares issued and fully paid - 07 October 2019	98,039,215	980	99,020	-	100,000
Ordinary shares issued and fully paid - 30 April 2020	135,748,028	1,357	138,463	-	139,820
Share issue costs	-	-	(5,029)	-	(5,029)
Dividends paid in the Year				(14,391)	(14,391)
As at 30 June 2020	**473,620,462**	**4,735**	**436,126**	**-**	**440,861**

	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)

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**

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

On 07 October 2019 the Company completed an equity fundraising and issued an additional 98,039,215 ordinary shares of one pence each at a price of £1.02 per share. The consideration received in excess of the par value of the ordinary shares issued, net of total capitalised issue costs, of £96.7 million was credited to the share premium reserve.

On 30 April 2020 the Company completed an equity fundraising and issued an additional 135,748,028 ordinary shares 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 £135.7 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. The aggregate ordinary shares in issue at 30 June 2020 total was 473.6 million.

21. Reserves

The nature and purpose of each of the reserves included within equity at 30 June 2020 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.

22. Capital commitments

The Group had no capital commitments outstanding as at 30 June 2020.

23. 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 2020 is 17.1 years (2019: 18.4 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 2020 £'000	As at 30 June 2019 £'000
Within one year	28,770	19,241
Between one year and five years	116,038	77,366
More than five years	354,707	260,172
	499,515	**356,779**

24. 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 2020 £'000	As at 30 June 2019 £' 000
Net assets per the consolidated statement of financial position	477,161	230,470
Fair value of interest rate derivatives	1,988	1,113
EPRA NAV	**479,149**	**231,583**
		Number
Ordinary shares in issue at 30 June	473,620,462	239,833,219
NAV per share - Basic and diluted (pence)	101p	96p
EPRA NAV per share (pence)	101p	97p

25. 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 three 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

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 2019 were as follows:

- Nick Hewson: 468,525 shares (0.10% of issued share capital)
- Jon Austen: 144,270 shares (0.03% of issued share capital)
- Vince Prior: 76,019 shares (0.02% of issued share capital)
- Cathryn Vanderspar: 19,418 (0.00% 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 £1,000 million, 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 and 1/12th of 0.5625% per calendar month of Adjusted Net Asset Value above £500 million and up to or equal to £1,000 million.
- Semi-Annual Management Fee payable semi-annually in arrears: 0.11875% of Adjusted Net Asset Value up to or equal to £500 million and 0.09375% of Adjusted Net Asset Value above £500 million and up to or equal to £1,000 million.

For the period to 30 June 2020 the total advisory fees payable to the Investment Adviser were £3,252,000 (2019: £1,814,000) of which £820,000 (2019: £379,000) is included in trade and other payables in the consolidated statement of financial position.

Introducer Services
Atrato Partners, an affiliate of the Investment Adviser, is entitled to fees in relation to the successful introduction of prospective investors in connection with subscriptions for ordinary share capital in the Company.

The entitlement of the Investment Adviser to introducer fees is by fees and/or commission which can be summarised as follows:

- Fee basis: £5,000 for any day on which prospective investors are introduced in meetings, provided that there are at least five such meetings with prospective investors on that day; and (ii) £1,000 per meeting for any day on which prospective investors are introduced in meetings but there are fewer than five such meetings with prospective investors on that day or:
- Commission basis: one per cent of total subscription in respect of ordinary shares subscribed for by any prospective investor introduced by Atrato Partners.

For the period to 30 June 2020 the total introducer fees payable to the affiliate of the Investment Adviser were £25,000 (2019: nil).

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 2020 were as follows:

- Ben Green: 1,137,101 shares (0.24% of issued share capital)
- Steve Windsor: 1,251,936 shares (0.26% of issued share capital)

26. Post balance sheet events
On the 6 July 2020 the Group announced the acquisition of a Portfolio of 6 omnichannel supermarkets via a sale and leaseback transaction with Waitrose for £74.1 million (excluding acquisition costs), which are let to Waitrose on new 20-year leases with a tenant-only break option in year 15 and are subject to five-yearly, upward-only, CPIH-linked rent reviews.

On the 27 July 2020 the Group announced the acquisition of a Tesco store in Newmarket, which was acquired for £61.0 million (excluding acquisition costs) with an unexpired lease term of 15 years with annual, upward-only, RPI-linked rent reviews.

On the 10 August 2020, the Group announced the acquisition of a Morrisons store in Telford, which was acquired for £14.3 million (excluding acquisition costs) with an unexpired lease term of 13 years with five-yearly, upward-only, RPI-linked rent reviews.

On the 14 September 2020, Tesco in Bracknell, Berkshire for £39.5m (excluding acquisition costs) with 10 years unexpired lease term and annual, upward-only, RPI-linked rent reviews.

On the 27 July 2020, the Group announced a new revolving credit facility ("RCF") of £60.0 million with Wells Fargo. This secured, interest-only, RCF has an initial five-year term and two further one-year extension options. The RCF has a margin of 2.0% above 3-month Libor which is currently equivalent to a total cost of 2.1%. The RCF also includes a £100 million uncommitted accordion option, exercisable at any time over the term of the facility.

In August 2020, the Group also increased facilities with Bayerische Landesbank by £34.8 million comprising a new £27.5 million, secured, five-year tranche and a further £7.3 million tranche, upsizing its existing £52.1 million secured term loan for the remaining three-year term. The new facilities are in both cases priced at a 1.85% margin over 3-month Libor, representing a total cost of debt of 2.0%.

On the 15 September 2020 the Group agreed an increase to our existing HSBC RCF of £40.0 million at a 1.75% margin over 3-month Libor, representing a total cost of debt of 1.8% whilst other terms remain the same as the existing £100m RCF.

Increased dividend target for the FY 2021 to 5.86 pence per share, increased in line with June 2020 RPI inflation.

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