

INVESTING IN THE FUTURE OF UK GROCERY

Who we are | Supermarket Income REIT plc (LSE: SUPR) is dedicated to investing in supermarket property forming a key part of the future model of UK grocery.

FEEDING THE UK

SUPR invests in grocery properties which are an essential part of the UK's feed the nation infrastructure and are mission critical to the operations of the UK's leading grocers.

CONTENTS

STRATEGIC REPORT

1	Highlights for the year
2	Chair's Statement
4	Financial Highlights
6	SUPR at a glance
12	Q&A with Justin King CBE
15	Investment Adviser's Report
22	The Company's Portfolio
26	The UK Grocery Market
29	Key Performance Indicators
30	EPRA Performance Indicators
31	Financial Overview
35	TCFD Compliant Report
51	Our Principal Risks
61	Section 172(1) Statement

CORPORATE GOVERNANCE

62	Our Key Stakeholder Relationships
65	Chair's Letter on Corporate Governance
66	The Board of Directors
68	The Investment Adviser
70	Leadership and Purpose
74	Board Activities during the year
75	Key Decisions of the Board during the year
76	Corporate Governance Statement
78	Nomination Committee Report
81	Audit and Risk Committee Report
85	Management Engagement Committee Report
87	ESG Committee Report
88	Remuneration Committee Report
92	Directors' Report
94	Directors' Responsibilities Statement
95	Alternative Investment Fund Manager's Report

FINANCIAL STATEMENTS

97	Independent Auditors' Report to the members of Supermarket Income REIT PLC
106	Consolidated Financial Statements
110	Notes to the Consolidated Financial Statements
142	Company Financial Statements
144	Notes to the Company Financial Statements
146	Unaudited Supplementary Information
151	Glossary
152	Contacts Information

We aim | To provide investors with a combination of attractive, secure and growing income with potential for long-term capital growth.

8.2%

DIVIDEND YIELD
(AS AT 30 JUNE 2023)

6p

DIVIDEND PER SHARE

5.8p

ADJUSTED EPS

14yrs

PORTFOLIO WAULT

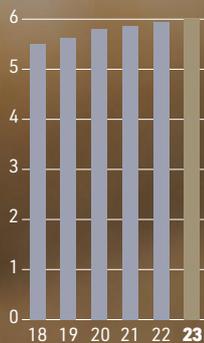
93p

**EPRA NTA
PER SHARE**

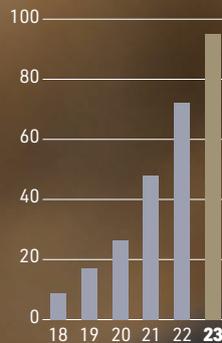
35%

EPRA LTV

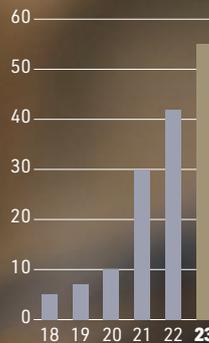
**DIVIDEND PAID
PER SHARE**
(pence)



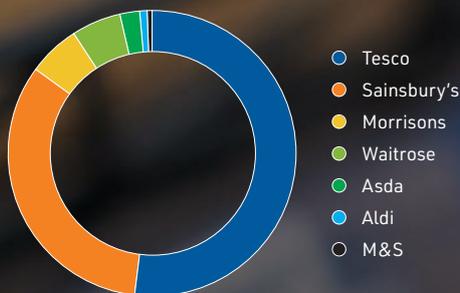
**NET RENTAL
INCOME**
(£m)



**ACQUISITIONS
TO DATE**
(stores)



**SUPERMARKET TENANT
MIX BY VALUE**





“The quality of our unique omnichannel supermarket portfolio and the increasing affordability of grocery rents, together with our robust balance sheet means we are well positioned to continue delivering long-term value for our shareholders.”

Nick Hewson Chair

Dear Shareholder,

I am pleased to report a resilient operational performance for the Company, in what has been an challenging year for the broader economy and the real estate investment market.

Despite the economic volatility, the UK grocery market has grown by 11% during the year and 30% since our IPO to a £242 billion market today. This highlights the strength and resilience of grocery spending through the peaks and troughs of the economic cycle.

Throughout the year, we have focused on our investment strategy of building and managing a unique high-quality portfolio of omnichannel supermarkets, which gives us exposure to the fastest growing segment of the expanding UK grocery market. Growth in the grocery market is enhancing the strength of our tenants and the affordability of our rents, providing positive tailwinds for future rental growth across the portfolio.

The robust performance of the supermarket operators is in stark contrast to the valuation declines experienced by the broader property investment market. The scale and pace of interest rate hikes since September 2022 has triggered a rapid decline in property values, with the MSCI UK All Property Capital Values Index declining by over 19% for the year to 30 June 2023. Supermarket property has been less volatile, but not immune, with a 14% like-for-like decline in our portfolio value resulting in a net initial yield of 5.6% as at 30 June 2023 (30 June 2022: 4.6%, 31 December 2022: 5.5%).

The property market experienced an initial rapid repricing to December 2022. We have since observed a stabilisation of pricing in recent transactions and our 30 June 2023 valuations are essentially flat to our last reported valuation as at 31 December 2022. It is also noteworthy that we have seen significant investment volumes in UK supermarket property which have exceeded £1.7 billion¹. This total includes £483 million of leasehold store buybacks by operators; a unique feature of the grocery real estate market. This elevated interest in grocery property highlights the positive long-term outlook for the sector. We are cautiously optimistic on the outlook for supermarket property valuations, though we recognise the general correlation of these values to Bank of England policy and interest rate movements.

The Company owns and manages a unique and high-quality portfolio of mission-critical omnichannel supermarkets. Our sector specialism and information advantage allow us to identify and deliver value through actively managing the portfolio. During the year, our tenant Sainsbury's purchased our interest in the Sainsbury's Reversion Portfolio ("SRP") Joint Venture ("JV"), buying back 21 stores at a 4.3% Net Initial Yield ("NIY"), for which the Company received proceeds of £430.9 million. The proceeds from these disposals, received during the year and post balance sheet, were recycled into higher-yielding acquisitions² that met our strict investment criteria, and utilised to pay down debt. As a result, drawn debt has reduced from £672.2 million in June 2023, to £584.8 million today. During the year we acquired nine stores and a further two shortly after year end for a combined total consideration of £399.0 million at an average NIY of 5.5%.

1 Knight Frank, Savills, MSCI and Atrato Capital research. Year ending 30 June 2023

2 Average weighted NIY for the stores at acquisition, including post balance sheet acquisitions of £36.4m (excluding acquisition costs)

We continue to focus on maintaining balance sheet strength and at year end our European Public Real Estate (“EPRA”) Loan to Value (“LTV”) was 35%, which has further reduced post year end, following the further receipt of monies from the sale of the SRP interest. Our debt is provided by a well-diversified group of relationship banks. Post the year end, we have expanded our banking group and extended the term of our debt facilities to in excess of four years³. We also took the prudent decision to fix the cost of 100% of our drawn debt. All our borrowings are either fixed rate or hedged to a fixed rate via interest rate derivatives with an average cost of debt of 3.1%.

During the year, we strengthened our governance credentials with the appointment of Sapna Shah to the Board. Sapna brings extensive corporate finance and governance experience having advised listed REITs and investment companies as a senior investment banker. Sapna has agreed to chair the new Management Engagement Committee which is tasked with the job of ensuring that we receive best value from our key service providers.

Sustainability continues to be a key focus of both the Board and the Investment Adviser. Having established an ESG committee, chaired by Frances Davies, we have this year voluntarily published a Task Force on Climate-related Financial Disclosures (“TCFD”) compliant Annual Report and Accounts, significantly enhancing the Company’s sustainability reporting and environmental commitments. We are pleased to present this report in full in this year’s Annual Report and Accounts and the accompanying Sustainability Report. In addition, the Company has also made a commitment to submit a greenhouse gas emissions reduction target to the Science Based Target Initiative (“SBTi”) by Q4 2023. The Company supports the Investment

Adviser’s signatory status of the Net Zero Asset Managers Initiative (“NZAM”) and the United Nations Principles for Responsible Investment (“UNPRI”). At the asset level we are working with our tenants on initiatives such as the installation of solar photovoltaic (“PV”) panels and electric vehicle charging to further enhance the Company’s sustainability performance.

Outlook

While economic conditions look set to remain challenging in the near term, our unique high-quality portfolio of omnichannel supermarkets, let on long-term, predominantly inflation-linked leases, with strong tenant covenants, in the non-discretionary spend sector of grocery, continues to offer a compelling investment case.

The stabilisation of valuations in the short term and strong sector dynamics in the medium to long-term mean that the Board is confident of the growth prospects for the Company. However, we remain cautious given the uncertain economic backdrop and accordingly, the Company is targeting a conservative dividend increase to 6.06 pence per share for the next financial year.

Nick Hewson

Chair

19 September 2023

3 Including uncommitted extension options

GROCERY SECTOR STRENGTH UNDERPINS DEMAND FOR MISSION CRITICAL SUPERMARKETS

Supermarket Income REIT plc (LSE: SUPR), the UK supermarket real estate investment trust providing secure, inflation-linked, long income from grocery property in the UK, reports its audited consolidated results for the Group for the year ended 30 June 2023 (the "Year").

FINANCIAL HIGHLIGHTS

	12 months to 30 June 23	12 months to 30 June 22	Change in Year
Annualised passing rent ⁴	£100.6m	£77.6m	+30%
Operating profit ⁵	£79.8m	£58.2m	+37%
Adjusted earnings ^{4,6,7}	£72.4m	£57.4m	+26%
Changes in fair value of investment properties	(£256.1m)	£21.8m	n/a
Dividend per share declared	6.00 pence	5.94 pence	+1%
Adjusted EPS ^{4,6}	5.8 pence	5.9 pence	-2%
Dividend cover ^{4,8}	0.97x ⁸	1.08x	n/a
	30 June 23	30 June 22	Change in Year
IFRS net assets	£1,218m	£1,432m	-15%
EPRA NTA ⁴	£1,156m	£1,427m	-19%
EPRA NTA per share ⁴	93 pence	115 pence	-19%
EPRA LTV ⁴	35.2%	22.2%	n/a
Direct Portfolio net initial yield ⁴	5.6%	4.6%	n/a

4 The alternative performance measures used by the Group have been defined and reconciled to the IFRS financial statements within the unaudited supplementary information

5 Operating profit before changes in fair value of properties and share of income and profit on disposal from joint venture

6 Adjusted Earnings and Adjusted EPS are calculated as EPRA Earnings and EPRA EPS adjusted for finance income from derivatives held at fair value through profit and loss, loan arrangement fee for Joint Venture acquisition and non-recurring debt restructuring costs. For further information please see the Key Performance Indicators and EPRA Performance Indicators sections on pages 29 and 30

7 New financial highlight for the year, expected to be included in future financials as they provide a more comprehensive understanding of core business performance

8 Calculated as Adjusted EPRA earnings divided by dividends paid during the year

Resilient financial performance with strong income growth

- 30% increase in annualised passing rent to £100.6 million
 - 100% occupancy
 - 100% of rent collected
 - 4.1% average rental uplift
- 26% increase in adjusted earnings to £72.4 million
- FY 2023 dividend of 6 pence per share, target dividend of 6.06 pence per share for FY 2024

Grocery sector strength and resilience driving elevated property investment volumes

- UK grocery market grew 11% during the period⁹
- 30% increase in UK grocery market since IPO to £242 billion¹⁰
- Supermarket store revenues growing much faster than rents, improving affordability and rental values
- UK supermarket property investment volumes exceeded £1.7 billion during the year¹¹

Active portfolio management – accretive asset sales and capital recycling

- Sale of interest in 21 supermarket properties held in the SRP at a NIY of 4.3%¹² and a total consideration of £430.9 million¹³, delivering a:
 - 30% IRR
 - 1.9x money-on-money multiple
- Purchase of eleven supermarket properties at a NIY of 5.5%¹⁴ for a total consideration of £399.0 million

High-quality portfolio of mission-critical supermarkets¹⁵

- Future-proofed portfolio of omnichannel stores
- Capturing elevated online grocery demand, which is up +80% since 2019¹⁶
- 14 years, weighted average unexpired lease term (“WAULT”)
- Strong performing tenant covenants; 77% of income from Sainsbury’s and Tesco
- 78% of rental income is inflation-linked, subject to caps of 4% per annum on average

Lower supermarket property valuations reflect higher interest rates with encouraging indications that valuations are stabilising

- Direct Portfolio independently valued at £1.69 billion (30 June 2022: £1.56 billion), reflecting a NIY of 5.6% as at 30 June 2023 (30 June 2022: 4.6%)
- Direct Portfolio value stable versus last reported valuation (31 December 2022: £1.63 billion reflecting a NIY of 5.5%)

Strong balance sheet with 100% of drawn debt hedged

- Fitch Ratings Limited (“Fitch”) investment grade credit rating of BBB+ reaffirmed in February 2023
- Total debt further reduced post balance sheet with current LTV of 34%
- Refinancing of facilities during the year and post balance sheet extending weighted average debt maturity by 12 months to four years¹⁷ (30 June 2022: four years)
- Unsecured debt increased to 61% of debt commitments (30 June 2022: Nil)
- 100% of drawn debt hedged and interest rate hedging extended by 12 months:
 - Weighted average finance cost fixed at 3.1% (30 June 2022: 2.6%)
 - Existing in-the-money hedges restructured to extend hedge term at zero net upfront cost

Continued progress on sustainability and governance programme

- Supported the responsible investment commitments made by our Investment Adviser as a signatory of the Net Zero Asset Managers Initiative and United Nations Principles for Responsible Investment
- Published our first voluntary, fully TCFD compliant annual report, consistent with all 11 of the TCFD recommendations and recommended disclosures
- Committed to submit a target to the Science Based Target Initiative by Q4 2023

Nick Hewson,

Chair of Supermarket Income REIT plc, commented:

“The UK grocery sector has again demonstrated resilience despite the challenging macroeconomic environment we have experienced during the year. We remain focused on our investment strategy of acquiring and managing a high-quality portfolio of omnichannel supermarkets. These give us exposure to the fastest-growing segment of the UK grocery market which itself is experiencing strong growth.

During the year, Sainsbury’s purchased our interest in the Sainsbury’s Reversion Portfolio joint venture for £430.9 million which we redeployed into higher-yielding supermarkets that met our strict investment criteria alongside reducing our debt, materially strengthening our balance sheet.

This purchase by one of our own tenants of 21 of its own stores highlights the attractiveness of UK supermarket property, which is further illustrated by the fact that the year has seen in excess of £1.7 billion of investment volume in our property sub-sector, driven by the positive long-term outlook for UK grocery. This activity has contributed to stabilising property valuations in the UK supermarket property sub-sector.

As we look forward, the quality of our unique omnichannel supermarket portfolio and the increasing affordability of grocery rents, together with our robust balance sheet means we are well positioned to continue delivering long-term value for our shareholders.”

⁹ IGD growth from 2022 to 2023 (forecast), June 2023

¹⁰ IGD channel data 2018 to 2022 actuals, 2023 forecast

¹¹ Knight Frank, Savills, MSCI and Atrato Capital research. Year ending 30 June 2023

¹² Blended NIY across the 21 properties

¹³ SRP investment: the Sainsbury’s Reversion Portfolio held in a joint venture arrangement. See Note 14 in the financial statements for further information

¹⁴ Average weighted NIY for the stores at acquisition, including post balance sheet acquisitions of £36.4m (excluding acquisition costs)

¹⁵ Portfolio statistics include Post balance sheet acquisitions

¹⁶ Kantar grocery channel report June 2023

¹⁷ Inclusive of uncommitted extension options

OMNICHANNEL – THE FUTURE MODEL OF UK GROCERY | Over 80% of online grocery in the UK is fulfilled from omnichannel supermarkets.

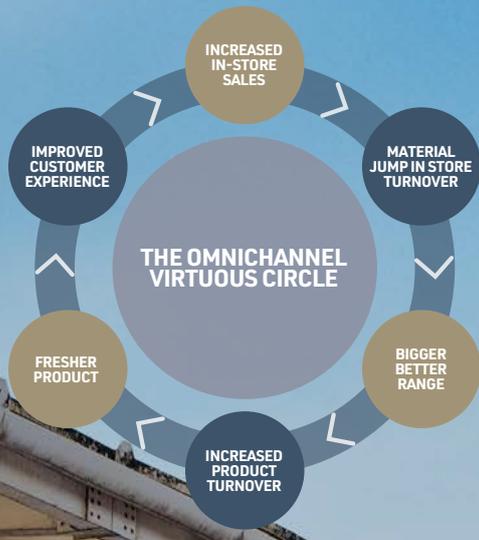
OMNICHANNEL AT WORK

THE OMNICHANNEL MODEL:

The seamless integration between online and offline fulfilment provides our tenants with economies of scale and operational efficiencies.

THE OMNICHANNEL VIRTUOUS CIRCLE:

The combination of in-store and online fulfilment help to deliver increased sales and customer satisfaction.



OUR PORTFOLIO | We have built a unique portfolio of supermarkets, diversified both by geography and tenant. Our properties are 'mission critical' to our grocery tenants, operating as key online fulfilment hubs as well as generating in-store physical sales.

A NATIONWIDE PORTFOLIO



Supermarket exposure by value

- Tesco 49%
- Sainsbury's 30%
- Morrisons 6%
- Waitrose 5%
- Asda 2%
- Aldi 1%
- M&S 1%
- Iceland <1%

Portfolio weighted by value based on 30 June 2023 valuation plus acquisitions at cost.

Indexation	Income mix by rent review type*
RPI	71.2%
CPI	6.7%
Fixed	2.1%
OMV	20.0%
Total	100.0%

78% of the Direct Portfolio benefits from upward only, indexed-linked rent reviews.

55 SUPERMARKETS*	3.8% RENT TO TURNOVER	93% OMNICHANNEL STORES
100% OCCUPANCY SINCE IPO	100% RENT COLLECTION SINCE IPO	

*including post balance sheet acquisitions.



HEADLINE STRATEGY | We acquire supermarket property with long, inflation-linked leases and aim to provide sustainable, long-term income and value growth for shareholders.

INVESTING IN THE FUTURE OF UK GROCERY

WE INVEST PRIMARILY IN OMNICHANNEL SUPERMARKETS:



**TRADITIONAL
IN-STORE**



**CLICK & COLLECT
AT STORE**



**HOME DELIVERY
FROM STORE**

WITH HIGHLY ATTRACTIVE LEASE TERMS:

**LONG LEASE
LENGTHS**

**INFLATION-LINKED
RENT REVIEWS**

**TENANTS ARE UK'S
LEADING GROCERS**

LONG-TERM GROWTH DRIVERS IN THE STRUCTURALLY SUPPORTED UK GROCERY SECTOR:

**NON-DISCRETIONARY
GROCERY
EXPENDITURE**

£56bn

**GROWTH OVER
LAST 5 YEARS**

19.2%

**PEAK GROCERY
PRICE INFLATION***

*Office for National Statistics,
year to March 2023



OUR STRATEGY AT WORK | We have handpicked a unique portfolio of supermarkets with attractive trading fundamentals. We are the largest landlord of supermarkets in the UK. Our investment strategy of acquiring top trading omnichannel supermarkets provides investors exposure to leading future proofed stores in the growing UK grocery market.

**CAPITAL LIGHT
ONLINE FULFILMENT**



Tesco, Bishop's Cleeve

Standalone supermarket serving the local residential population acquired as part of an off-market transaction.
Read more on page 16

**OMNICHANNEL
HUB**



Tesco, Llanelli

A dominant store forming a key part of Tesco's omnichannel fulfilment capability in South Wales, operating 10 home delivery vans.
Read more on page 19

**GROWING OUR
PORTFOLIO**



Tesco, Worcester

Omnichannel store operating 9 delivery vans, acquired as part of an off-market transaction.
Read more on page 20

**SECTOR
SPECIALISM**



**Sainsbury's Reversion
Portfolio**

Sector specialism: underwriting Sainsbury's ongoing occupation and creating value for investors.
Read more on page 23



OUR SUSTAINABILITY JOURNEY | Environment, social and governance (ESG) is a key priority for the Company. The Board is committed to delivering the Company's ambitious sustainability goals.

OUR SUSTAINABILITY JOURNEY

OUR SUSTAINABILITY ACTIVITY:

PUBLISHED A SUSTAINABILITY REPORT

COMMITTED TO SUBMIT A TARGET TO THE SCIENCE BASED TARGET INITIATIVE (SBTI) BY Q4 2023

PUBLISHED FIRST FULLY TCFD COMPLIANT ANNUAL REPORT

COMMUNITY ENGAGEMENT THROUGH CHARITABLE GIVING AND COMMUNITY PARTNERSHIPS

SUPPORTED THE RESPONSIBLE INVESTMENT COMMITMENTS MADE BY OUR INVESTMENT ADVISER AS A SIGNATORY OF THE NET ZERO ASSET MANAGERS INITIATIVE (NZAM) AND UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT (UNPRI)

ENVIRONMENTAL ASSET MANAGEMENT INITIATIVES

AWARD WINNING GOVERNANCE:



IMPROVING SUSTAINABILITY WITH OUR TENANTS:

Supermarket EPC breakdown

EPC rating	% of supermarket Portfolio (June 2023)
A	4.2%
B	46.2%
C	33.7%
D	15.8%
Total	100.0%

*Including post balance sheet events (Excluding Scottish EPCs)

AMBITIOUS NET ZERO TARGETS:

Grocer	Net Zero target
Tesco	Net Zero in the UK by 2035
Sainsbury's	Net Zero by 2035
Waitrose & Partners	Net Zero by 2035
Morrisons	Net Zero by 2035
ASDA	Net Zero by 2040

REPORTING AND REDUCING CARBON EMISSIONS:



ANNUAL
CALCULATION
OF BASELINE
EMISSIONS USING
KEY TENANT DATA



EV CHARGING
INITIATIVE



SOLAR PV
ENERGY
GENERATION
INITIATIVE



FULLY TCFD
COMPLIANT
ANNUAL
REPORT

A conversation with Justin King about the future of the UK grocery sector



"In the next phase of the cycle I think we will start to see market rents inflating above passing rents on most existing stores given the high levels of inflation driving store turnovers above rental cap levels. In addition, rising construction costs on developing new stores are making supermarket store leases look increasingly good value."

Justin King CBE Senior Adviser

Justin King is a senior adviser to Atrato Partners. Justin is recognised as one of the UK's most successful grocery sector leaders, having served as CEO of Sainsbury's for over a decade and previously held senior roles at Marks & Spencer, Asda, PepsiCo and Mars.

Justin is currently a Non-Executive Director of Marks & Spencer and Chair of Allwyn Entertainment, leading its transition to operating the National Lottery licence. Justin also advises a series of high-profile consumer-focused companies including Iitsu Grocery, where he chairs the grocery business, and is the Chair of Dexters Real Estate. Justin is an advocate for responsible business and has been instrumental in launching several charitable concerns including the charity Made by Sport, which champions the power of sport to change young lives. Justin brings an unrivalled wealth of grocery sector experience and a deep understanding of grocery property strategy.

Q: How have the supermarket operators been reacting to unprecedented increases in the cost of living faced by many consumers, especially given the impact from recent grocery price inflation?

A: Clearly the high rate of food price inflation is having a major impact on consumers' budgets, although it has started to decline from its peak of 19% with many analysts expecting it to fall to around 8-10% by the end of 2023. While the rate of increase is likely to slow, I expect actual food prices to continue to rise at least until mid-2024.

Several factors are contributing to this high food price inflation, mainly significant rises in the cost of food commodities, increased energy costs and the depreciation of Sterling, all of which have raised the domestic price of inputs into the food supply chain and for the most part are outside the control of operators. Perhaps the most persistent pressure will be labour costs, which makes up in excess of 20% of the cost of the average basket of groceries if you take a full supply chain view.

We are seeing clear evidence that the operators have not 'passed through' to consumers all the cost increases that they have incurred as evidenced from falling operating margins from 3.2% to around 1.8% on average¹⁸. It is worth noting that a grocer's power to implement price rises is less than many people think, as the sector's intense competitiveness drives low margins and high operational efficiencies.

However, I believe that the most impactful contribution operators are making is the change to their product lines and promotional strategies on the shelves to help their customers switch from expensive calories to less expensive calories. Think of it as giving the customer the ability to achieve a cut in their pence per calorie consumed or 'dial out' inflation. In previous recessions we have seen the effectiveness of supporting the customer through value alternatives. That's why the traditional supermarkets carry an extensive range of products to ensure their mix can cater for the changing needs of the customers' shopping basket.

Q: You mention the reduction in profit margins for operators. Does that give you any concerns about the sector and by extension supermarket property values?

A: If you take the longer-term view, historical net profit margins of the incumbent operators range between 3% and 5% and that will typically wax and wane depending on how much pressure there is from competition and costs. Over time, changes in productivity, operational efficiencies and pricing eventually restores margins to a more normal long-run level of around 4%.

¹⁸ Competition and Markets Authority, "Competition and Markets Authority updates on action to contain cost of living pressures in groceries sector", 20 July 2023

The supermarkets have clearly taken a view that squeezing net profit margins today is the right thing to do to help their customers in this current environment. In time that will of course correct, though not necessarily result in an increased cost to the customer. Part of that correction will naturally come from running the business as efficiently as possible and there will also be some challenging cost of goods conversations with suppliers who have perhaps over-inflated. So, in time, I believe we will see profit margins coming back to a more normal level.

I don't believe this current cycle of lower net margins will impact supermarket property values. Supermarket rents represent a very small proportion of total costs – this is in significant contrast to other sectors. Short-term changes in profitability will not affect an operator's ability to pay rent, especially on their best sites, demonstrating the resilience of these large scale, well positioned, supermarkets. In fact, with the top line inflating and rent increases lagging, rent as a percentage of sales (which is the key metric for operators) is actually reducing.

Of course, supermarket property has not been immune to the outward yield shift experienced across all property investment markets. However, these declines in values are reflecting the outward shift in property yields applied by valuers because of higher interest rates and the overall macroeconomic environment.

Q: Why have transaction volumes in supermarket real estate remained high relative to other real estate sectors, especially against the backdrop of higher interest rates?

A: It is worth noting that when you examine performance trends over the last 15 years, the supermarket property investment market has been less volatile than the broader UK property market. In fact, the sector has been a stand-out positive performer in contrast to others, illustrating the long-term strength and stability of this somewhat unique asset class.

Investors looking for property assets that offer consistent income are increasingly targeting the supermarket property sector. Research from Atrato on property investment volumes clearly shows that this trend continues with transaction liquidity in supermarket property investments remaining high relative to the declines seen in other property markets.

In the next phase of the cycle, I think we will start to see market rents inflating above passing rents on most existing stores given the high levels of inflation driving store turnovers above rental cap levels. In addition, rising construction costs on developing new stores are making supermarket store leases look increasingly good value. This is one of the drivers of the store buyback activity that we are seeing from Tesco and Sainsbury's.

Given the current high yield on offer as a function of higher rates, it is not surprising to see increased investment interest in the asset class. Having said that, not all supermarket property is equal and specialists like the Atrato team are critical to ensure the right asset selection for the long-term.

Q: Digitalisation of business models and the opportunities from artificial intelligence are generating significant headlines. Do you believe supermarket operators have embraced this and how do you see its application to the UK grocery market?

A: The digitalisation of the economy has generated turbulent change across many industries. We saw this first in the media sector, followed by retail and then moving rapidly into all other sectors. Digitalisation is an ever-changing force that many businesses understandably struggle to keep up with.

However, the idea that incumbent grocers have not embraced digitalisation is a false one. In fact, the reality is very different. The incumbent grocers transitioned from an analogue to digital business model around the early 2000's following the introduction of Clubcard by Tesco and Nectar by Sainsbury's. The data from these loyalty card systems meant that we could see what people were buying and, for the first time, who was buying it. This was coupled with an ability to process that data in close to real time. It is staggering to think that the Clubcard today is held by over 20 million households in the UK.

These loyalty programmes provide powerful insights for operators looking to tailor the range, mix and price of products to meet the needs of the consumer, as well as an appreciation of how to serve customers better in the future. Additionally, operators are able to understand the differences between when customers shop, what they buy and through which channel. The insights gained from these systems were key factors behind UK grocers becoming early adopters of omnichannel strategies. Operators recognised the value of seamless integration between online and offline fulfilment, empowering them to become truly blind to channel. Of course, today, this is fashionably characterised as big data technology, however it's been operating for over 20 years in UK grocery.

I'm a firm believer that the potential of this information will grow, especially when overlaid with the processing power of artificial intelligence. However, grocery will always remain a people-facing sector and in the new omnichannel environment, digital technology will continue to provide a valuable complementary tool in serving the customer better through a network of physical stores.

Q: Valuations within pure play online and ultra-convenience platforms such as Ocado and Getir have declined over the last 24 months. What do you think is behind that and do you think the market is less convinced on the potential of online grocery post the pandemic highs?

A: In the last five years we have seen a dramatic change in the online grocery landscape, including a step change in demand. Online accounted for 8% market share in 2018, a figure which subsequently peaked at 15% in 2021 at the height of the pandemic, and which is around 12% today. Online grocery is set to remain the fastest growth channel proportionately, but still behind the volumes seen in the physical supermarket and convenience channels.

I think pure play online operators had been considered by some as a route to overcome the barriers to entry into the wider £242 billion UK grocery market and an opportunity to capture much of the online growth in the space. However, technology in the form of very large, centralised warehouses with automated picking operations have failed to provide any substantive cost or flexibility advantage. In fact, a better understanding of the true economics points to the global convergence of an omnichannel model with stores acting as last mile fulfilment centres. Automated picking technology is increasingly being deployed inside the physical store via micro-fulfilment solutions as a more productive alternative to manual store pick.

What the pandemic period has shown is the importance, flexibility and resilience of the omnichannel store pick model. This has allowed the incumbents to take a leading market share in online grocery, with the large multi-channel grocers now controlling over 80%¹⁹ of the online market in the UK. This is in contrast to the market belief that new technology players would capture that online market. I have always believed that we should “think customer, not channel”. In a post-pandemic era, the customer requires seamless integration between online and offline channels offered by omnichannel supermarkets.

In addition, rapid grocery delivery platforms such as Deliveroo and Just-Eat have increasingly been partnering with supermarkets including Sainsbury's, Waitrose and Aldi as a more effective way of addressing the ultra-convenience grocery market than the dark store model of Getir and others.

Of course, centralised, online-only distribution units or warehouses will still have a role to play in providing a solution to store capacity constraints in metropolitan areas or as a solution to operators with limited store networks. However, I think this will be a smaller role than the market would have previously perceived.

Q: Environmental sustainability is in the spotlight, given the impact of climate change seen across multiple countries this year. What role do you think supermarkets as retailers have to play in this area?

A: Supermarkets have generally been ahead of other sectors in understanding the full supply chain and management of farm-to-fork strategies. A key role of the supermarket is to represent the consumer in the supply chain and given the heightened consumer concern around environmental sustainability when shopping for groceries, supermarket operators are becoming a driving force for a more sustainable supply chain.

According to a recent report from Cushman & Wakefield, 26% of global green-house gas emissions are attributable to the food supply chain with around 83% derived from production²⁰. The supermarket operators are therefore naturally placed to centralise and coordinate this drive towards the decarbonisation of the wider food supply chain.

When we launched the 20 by 20 Sustainability Plan at Sainsbury's in 2011, we set ambitious goals for a more sustainable footprint, which today has developed even further to reduce scope 1 & 2 emissions to Net Zero by 2035 and reduce Scope 3 emissions to Net Zero by 2050.

In fact, Sainsbury's has now reduced its absolute greenhouse gas (“GHG”) emissions within its operations to 461,692 tCO₂e, a reduction of 38% year-on-year and 51% per cent from its 2019 baseline, keeping it on course to achieve its 2035 Net Zero target²¹. It's also encouraging to see the grocery industry taking a lead in implementing substantive governance frameworks around reporting progress against these vitally important sustainability objectives too.

Many problems however can also be opportunities in disguise. A route to being transparent on environmental sustainability provides a platform for the grocers to build another conversation with the customer, in marketing terms, around assessing the environmental impact of their basket of groceries in a way which can differentiate brand and add value to consumers.

All together, these are important building blocks that are compounding at an increasing rate. Over time, I believe we will look back and see grocers as an industry leader in improving how to measure, report and reduce the carbon footprint of the food that we consume.

¹⁹ Kantar grocery update, June 2023

²⁰ Cushman & Wakefield, Future of Food Chains, 2023

²¹ Sainsbury's Plan for Better Report, 2022/23 Sustainability Update



Ben Green Principal of Atrato Capital



Robert Abraham Managing Director Fund Management

“Stores are vital to grocers’ operations. Whether sales are achieved through traditional in-store shopping or online, the store network and associated supply chain infrastructure is critical to generating revenue.”

Key achievements

- Sale of 21 properties²² for £430.9 million reflecting a 4.3%²³ NIY
- Purchasing £399.0 million new properties at a 5.5% NIY
- Reduced EPRA LTV to 35.2%

Key figures

- 5.6% portfolio NIY
- Portfolio grown to 55 stores
- 100% occupancy and rent collection since IPO
- £1.7 billion of total investment market volumes

²² SRP investment: the Sainsbury’s Reversion Portfolio held in a joint venture arrangement. See Note 14 for further information

²³ Blended NIY across the 21 properties

Atrato is the Company’s Investment Adviser. Ben Green (Principal) and Robert Abraham (Managing Director, Fund Management) discuss SUPR’s performance and the long-term outlook for the business.

Fund Report

Q: In a year of significant macroeconomic headwinds, how has SUPR fared?

A: Commercial property is a cyclical asset class that typically underperforms during the interest rate hike phase of an economic cycle. What has been different during the current cycle was the pace and magnitude of interest rate rises which triggered a rapid repricing of the cost of capital and therefore the yields demanded by commercial property investors. This property yield repricing was reflected

by valuers quickly and arguably more efficiently than in previous cycles.

During an economic downturn, the key concern for most property companies is the ability of their tenants to pay their rent. This is not a concern for SUPR given the strength of the underlying tenants and is evidenced by the Company’s 100% rent collection. The supermarket assets that SUPR owns are mission critical to its tenants and that essentiality ensures 100% occupancy.

On a relative basis, markets generally expect supermarket property to be less volatile than broader property markets given the defensive nature of the underlying grocery sector. This has again played out during this cycle with SUPR’s high-quality asset valuation down 13.7% during the year compared to broader UK commercial property valuations which are down 19%²⁴.

The Company’s share price performance vs Tesco & Sainsbury’s (indexed)



²⁴ MSCI UK Quarterly Property Index (June 2022 – June 2023)



CAPITAL LIGHT ONLINE FULFILMENT

Tesco, Bishop's Cleeve

The standalone Tesco Supermarket was acquired in August 2022 in an off-market transaction. The 44k sq.ft. store was constructed in 1998 and is situated on a 4-acre site within the town centre. At acquisition, the store had an unexpired lease term of 12 years, subject to annual RPI linked reviews (0% floor and 5% cap).

Post-acquisition, Tesco introduced a two bay Click & Collect operation within the car park, which demonstrates the ease of omnichannel expansion within strong, pre-existing grocery locations.

Tesco Click & Collect investment post-acquisition



SUPR has understandably been impacted by the challenging equity markets for real estate companies, which whilst disappointing, does now present an interesting value proposition for investors. UK grocery sales have experienced strong growth over the past 12 months, and our key tenants Tesco and Sainsbury's have reported strong free cashflow growth in the period, underlining their positive performance in the current economic climate. The disconnect between the recent fortunes of grocery operators compared with real estate companies is highlighted by the share price performance of Tesco and Sainsbury's during the period compared with that of Real Estate Investment Trusts and owners of grocery property such as SUPR.

Our key tenants, Tesco and Sainsbury's, have reported sales growth of around 10% in their latest figures²⁵. This growth has been generated on a like-for-like basis given there has been no net new floor space for large multi-channel operators. This sales growth is running ahead of contractual rental increases, meaning that rents are becoming even more affordable for operators.

Q: What has been the key commercial focus of the Investment Adviser during the year?

A: Our focus has been on taking a more active approach to asset management within the portfolio; rotating capital, strengthening the balance sheet and delivering progress on our sustainability goals.

A key milestone was the sale of the joint venture interest in the SRP, our tenant Sainsbury's purchased 21 supermarkets held in the joint venture, at a net initial yield of 4.3%, with the Company receiving proceeds of £430.9 million. This followed on from the NTA accretive acquisition of the interest of our original joint venture partner British Airways Pension Trustees Limited ("BAPTL") in January for £188.8 million (excluding acquisition costs), which was fully funded by a debt facility provided by J.P. Morgan.

We utilised these proceeds to pay down debt reducing EPRA LTV from 40.2% to 35.2%. The Company's LTV was further reduced post balance sheet and currently stands at 34.0%. The Company has also been opportunistically deploying into new acquisitions at attractive net initial yields. In total we have deployed £399 million during the year including two properties since the year end at an accretive net initial yield of 5.5%²⁶. This included four omnichannel stores from the Sainsbury's Reversion Portfolio. This recycling of capital into higher-yielding assets that met our strict investment criteria has helped offset some of the increased financing costs incurred as a result of higher interest rates.

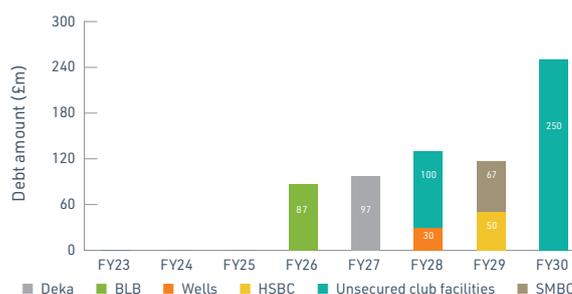
Q: How has SUPR's financing strategy changed in response to these macroeconomic challenges?

A: We and the Board considered it prudent to repay debt to reduce the Company's LTV post balance sheet to 34.0%, utilising the second tranche of the SRP proceeds and taking a number of actions to manage debt maturities and hedging post year end. We also extended the term of our debt by 12 months, maintaining a weighted average debt maturity of over 4 years²⁸, whilst also broadening our banking group. Further, we conducted a 'blend and extend' hedge restructure, utilising the significant profit on the pre-existing hedge arrangements to extend the term of the hedges by 12 months²⁷. As a result of this treasury management exercise, SUPR's cost of debt is now fixed at an average rate of 3.1%.

A testament to the strength of the investment proposition is SUPR's continued access to liquidity, despite concerns in other commercial real estate sectors. During the year the Company refinanced its term loan with BLB. This was achieved during the period following the collapse of Silicon Valley Bank and Credit Suisse, calling into question the availability for financing for commercial real estate. We also added Sumitomo Mitsui Banking Corporation ("SMBC") as a new relationship bank, highlighting lender appetite for supermarkets. Fitch also reaffirmed SUPR's BBB+ investment grade credit rating in February 2023.

The debt maturity profile below, which includes uncommitted extension options, highlights the spread of maturities and diverse relationship lenders which support the Company.

The Company's debt maturity profile²⁸



SUPR has covenant headroom across its debt facilities along with over £100 million of undrawn debt capacity. The Company is well positioned and importantly, retains additional capital capacity to be acquisitive if compelling opportunistic investment propositions arise.

25 Tesco & Sainsbury's Q1 trading updates

26 Including post-balance sheet events

27 Including post-balance sheet events

28 Including uncommitted accords and indications of appetite from lenders

Q: What has been the impact on SUPR's portfolio/valuation?

A: The total net initial yield moved out on the portfolio by 100bps from 4.6% to 5.6% during the year; a fall in valuation of 14% on a like-for-like basis. This compares to the MSCI UK All Property Capital Values Index which fell 19% in the same period, reflecting the high quality of the Company's assets and defensive nature of supermarkets. The portfolio's inflation-linked rent reviews also provide an element of natural hedge to the higher inflation and interest rates environment, partially offsetting the portfolio yield shift.

The decline in property values occurred quickly during autumn 2022 and the impact on SUPR's EPRA NTA was reflected in the Company's interim results for the period to 31 December 2022. During the second half of SUPR's financial year valuations stabilised and therefore the reported June 2023 valuations are essentially flat compared to those reported as at December 2022. This is supported by good transactional evidence from a particularly liquid investment market relative to the UK property market as a whole. The elevated liquidity observed in the UK supermarket property market is a result of investors being attracted to the attractive risk/return profile of grocery assets following the repricing that has taken place.

Recent transactional evidence would imply that peak cycle yields in supermarket property may well be behind us, and further, that yields on high-quality omnichannel stores are actually starting to tighten. However, we remain acutely aware that a long-term yield tightening trend can only occur once the market is convinced that UK base rates have reached the top of this cycle.

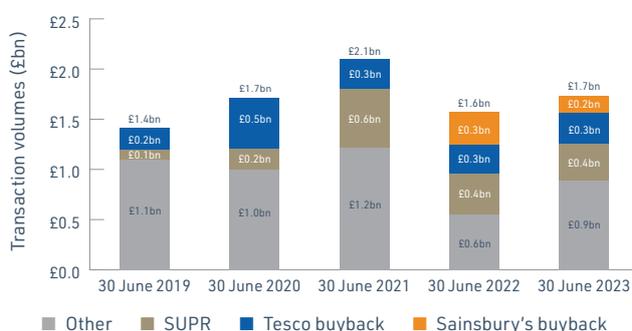
Investment Market

Q: What impact has the high inflation environment had on the supermarket investment market?

A: Higher interest rates as a policy response to inflation have driven a rapid repricing of commercial real estate assets and supermarkets have not been immune. However, this now means that supermarkets are in our view one of the most attractive asset classes in commercial real estate.²⁹

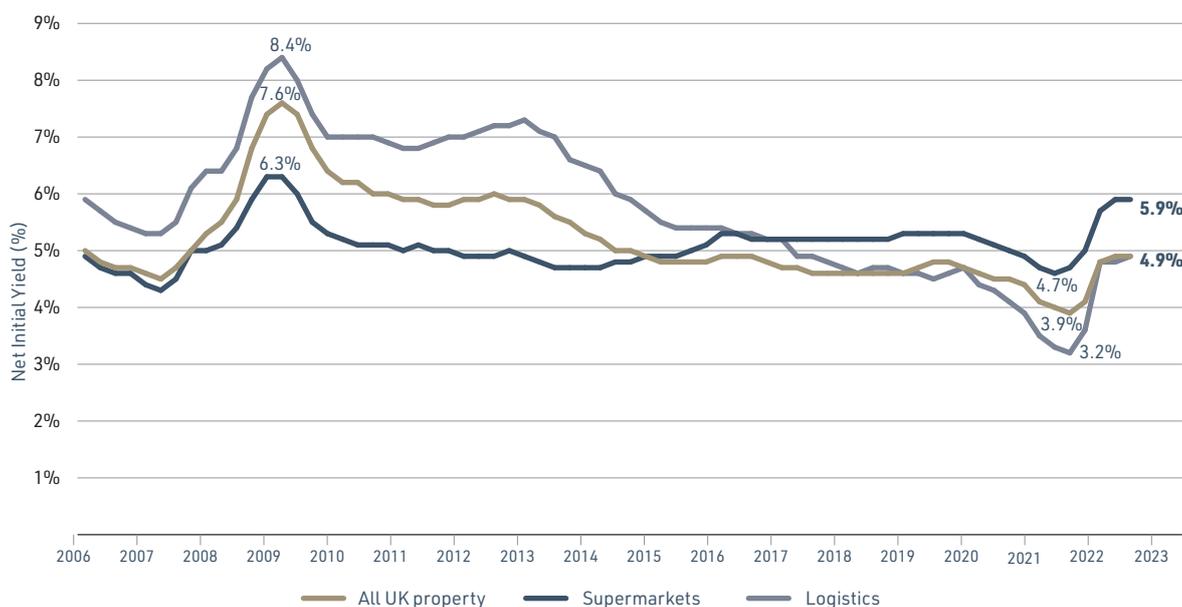
Total market volume during the year was £1.7 billion. As shown below, Tesco and Sainsbury's store buybacks represent a substantial share of this volume, alongside which we see purchasers active in two broad strategies.

Supermarket investment volumes FY 2019-2023³⁰



Firstly, value oriented, levered purchasers are targeting higher yielding opportunities at c. 7% NIY. These value players are opportunistically targeting Asda and Morrisons stores, buying at historically wide yields due to weaker levered covenants and in some cases weak store trading. Secondly there are buyers of high-quality supermarkets at yields of c. 5%, which is more closely aligned with the type

Investment Property Databank ("IPD") net initial yields 2006-2023 (YTD)²⁹



²⁹ Property yields sourced from MSCI for the period March 2006 to June 2023

³⁰ Knight Frank, Savills, MSCI, Atrato Capital research. Years ending 30 June

Bwydydd Tun
Canned Foods

29

Bwydydd Tun
Canned Foods

30

31

Bara
Bread

32

Cynhwysion a Sawsiau
Ingredients & Sauces

33

34

35

36

37

38

39

40

41

42

43

44

45

46

47

48

49

50

51

52

53

54

55

56

57

58

59

60

61

62

63

64

65

66

67

68

20

Melysion
Confectionery

19

Te a Choffi
Tea & Coffee

18

Pasta, Reis a Sawsiau
Pasta, Rice & Sauces

17

Pobi Cartref
Home Baking

16

Handodion i'r Cartref
Household Essentials

15

Glanhau i'r Cartref
Household Cleaning

14

Anffurfiad Amser
Frozen Food

13

Pobi Cartref
Home Baking

12

Pobi Cartref
Home Baking

11

Pobi Cartref
Home Baking

10

Pobi Cartref
Home Baking

9

Pobi Cartref
Home Baking

8

Pobi Cartref
Home Baking

7

Pobi Cartref
Home Baking

6

Pobi Cartref
Home Baking

5

Pobi Cartref
Home Baking

4

Pobi Cartref
Home Baking

3

Pobi Cartref
Home Baking

2

Pobi Cartref
Home Baking

1

Pobi Cartref
Home Baking

0

Pobi Cartref
Home Baking

QUAKER

OMNICHANNEL HUB



Tesco, Llanelli

This Tesco supermarket was acquired by the Company in September 2022 in an off-market transaction. The large format 120k sq.ft. store was built in the late 1980s and was extended in 2006. Its strategic location provides omnichannel capacity for Tesco in South Wales, operating ten delivery vans and a dedicated three bay Click & Collect facility in the car park. There is only one alternative Tesco store operating home delivery within a 25 minute drive time radius.

At acquisition, the store had an unexpired lease term of 12 years, subject to annual RPI linked reviews (0% floor and 5% cap).

The store adds to the Group's weighting to inflation-linked leases within the portfolio and emphasises the Company's strategy of acquiring strong trading, omnichannel hubs in geographically diverse locations.

Omnichannel hub with 10 delivery vans



GROWING OUR PORTFOLIO

Tesco, Worcester

In April 2023, the Company acquired a strong performing 65k sq. ft. Tesco supermarket in Worcester in an off-market transaction. Tesco has a long trading history at the store, having operated at the site since the early 1990s which was subsequently expanded in 2008. The store is an online hub for Tesco, operating nine delivery vans and a Click & Collect facility helping to supply the predominantly residential local catchment. There is only one alternative Tesco store operating home delivery within a 25 minute drive time radius.

At acquisition, the store had an unexpired lease term of 12 years, subject to annual RPI linked rent reviews (0% floor and 4% cap).

The store further increases rental indexation within the portfolio and increases the Company's exposure to the UK's strongest grocery tenants.

Long trading history



of assets in the SUPR portfolio. These assets are typically let to the strong covenants of Sainsbury's and Tesco on long leases. Buyers are looking to the attractive returns that can be achieved, with current valuations representing a significant value opportunity in our view. This is particularly the case as higher inflation arguably supports higher market rental growth.

Significant institutional demand for grocery real estate is particularly evidenced by the success of the recently announced Asda sale and leaseback, which is reported to have achieved a £650 million transaction price despite challenging market conditions.

Q: Should we expect to see more sale and leaseback ("SLB") activity by the operators?

A: Not necessarily, as it depends on the operators' funding requirements and strategic objectives.

The more highly levered operators, Asda and Morrisons, have demonstrated appetite for SLBs. This is likely to continue as an attractive source of finance compared to the prospective cost of leveraged finance in the current environment, given peak leverage for Asda of c. 7x and for Morrisons c. 9x³¹. Asda is expected to use the £650 million proceeds of its SLB at a 6.4% NIY to fund part of the cost of acquiring EG Group. The cost of the SLB compared favourably to the debt leverage for the acquisition provided by Apollo which was priced at c. 11%.

It is worth noting that these operators have historically preferred to own their stores, with only c. 15% of their stores being leasehold. That gives both significant capacity for SLB activity while maintaining a proportion of freehold stores in line with Tesco and Sainsbury's.

On the other hand, we have seen Tesco and Sainsbury's utilising free cashflow generation for store buybacks, alongside bond repurchases to de-lever their balance sheets. They have balanced this with returning cash to shareholders through share buybacks. Since SUPR's IPO in 2017, Tesco has increased the proportion of its store ownership from 52% to 58%³². The most notable recent example of operator store buybacks was the sale to Sainsbury's of SUPR's interest in the Sainsbury's Reversion Portfolio, with the portfolio of 21 stores acquired by Sainsbury's valued at over £1 billion.

Operator buybacks and SLBs on long leases highlight the mission critical nature of supermarket real estate. Operators seek to own or secure decades of occupation of their best performing stores, which are also the stores targeted by SUPR.

Portfolio

Q: What makes supermarket property 'mission critical' to the operators?

A: Stores are vital to grocers' operations. Whether sales are achieved through traditional in-store shopping or online, the store network and associated supply chain infrastructure is critical to generating revenue.

The flexibility of omnichannel stores, such as those in SUPR's portfolio, has been clearly demonstrated in the last few years, as operators are able to reposition resources to fulfil orders through consumers' chosen channel. Pure play operators, whether solely online or physical, are not able to flex between channels in the same way.

While online market share is significantly higher than pre-pandemic levels, as expected, it has come off the peak of 15%, settling at c. 12%. Whilst we expect growth to revert to the modest long-term trend from here, the ability of the grocers to rapidly respond to changing consumer habits is a key barrier to entry to the market.

Tesco's latest results highlight how valuable large format stores are for operators. These stores are Tesco's largest growth channel with sales up 9.9%. An element of this growth is a result of cost-conscious consumers seeking to achieve better value through the lower price point and greater promotional activity. However, another attraction is also the broader product range at large format stores, providing greater opportunity to shop across product ranges including premium and value options.

Q: Given the majority of SUPR's assets are occupied under full repairing and insuring ("FRI") leases, what action is being taken to demonstrate the Company's commitment to sustainability?

A: At the asset level, at sites which are not fully demised to the tenants under FRI leases, we are looking to enhance sustainability wherever possible. That starts with electric vehicle charging points, which we are targeting for eight sites so far, while at the time of writing construction has begun at two sites.

We have also worked with Tesco and Atrato Onsite Energy (LSE: ROOF) to support the installation of a rooftop solar array at our Tesco store in Thetford. This solar array energised in September 2023. We are looking to roll out solar installations across as many stores as possible in the portfolio.

Our grocery tenants have formal Net Zero commitments, resulting in very good engagement with SUPR on sustainability initiatives as these are beneficial for both landlord and tenant alike. We are now receiving energy consumption data from c. 85% of tenants and are looking to increase this further. We are delighted to have produced our first annual report which includes voluntary reporting in-line with the recommendations of the TCFD.

31 Net Debt/EBITDA

32 Tesco Annual Reports 2017 and 2023, % of net selling space owned

A benefit of the supermarket operator sustainability commitments coupled with long-dated, FRI leases is that tenants therefore invest in modernising and decarbonising stores within our portfolio at their own expense.

In all new leases we do our utmost to negotiate 'green' lease provisions, which permit the Company to access greater sustainability data from tenants, further aligning the interests of SUPR and its tenants.

Outlook

Q: What will be the key areas of focus for the fund in FY 2024?

A: Strategically we have positioned the Company to have a very robust balance sheet thus protecting it from any further macroeconomic surprises, whilst maintaining sufficient capital capacity to enable the Company to invest opportunistically into compelling investment opportunities that may arise as a result of the challenging broader market backdrop.

In the near term we will continue to actively manage the portfolio, seeking to generate value for shareholders.

We have progressed plans to develop complementary retail units at a number of our larger sites³³. We are negotiating terms to develop discount food stores of c. 20,000 sq.ft. alongside our strong performing existing supermarkets. Such development can drive additional footfall, making a more appealing grocery destination to consumers and increasing total grocery spend at the site.

Whilst we invest in stores with a long-term hold objective, the Company regularly receives approaches on individual assets from potential buyers. As demonstrated by the sale of the SRP during the year, there may be an opportunity to selectively dispose of assets. Proceeds can then be reinvested opportunistically in the current market environment, which can be value accretive whilst fully utilising our sector specialism.

THE COMPANY'S PORTFOLIO

The Company has built a handpicked portfolio of strong trading, 'mission critical' omnichannel supermarkets backed by the UK's leading grocery operators.

A key pillar of the Company's investment policy is to acquire omnichannel supermarkets that form a key part of the UK grocery network. These stores offer both an online provision and in-store shopping, helping to capture a greater share of the UK grocery market. Currently 93% of our supermarket assets are omnichannel, by value.

The leases on our stores benefit from long, unexpired lease terms with predominately upwards only, index linked rent reviews, helping to provide long-term income with contractual rental growth. The portfolio benefits from affordable rents. Our Direct Portfolio average rent

to turnover ("RTO") is 3.8%³⁴ compared to a sector benchmark RTO of 4.0%. We have high security of income with 100% rent collection during the year.

The Company's assets are predominantly let to the leading UK grocery tenants with Tesco and Sainsbury's accounting for 77% of the Company's rent roll.

As part of the Company's investment strategy to acquire high-quality, strong trading supermarkets, it is sometimes necessary to acquire complementary non-grocery units that are co-located with the store. These units often form a retail destination helping to drive further footfall into the supermarket. Non-grocery assets represent 6.2% of the Direct Portfolio by value.

The Company disposed of its joint venture interest in the SRP for a combined total of £430.9³⁵ million. The consideration was based on a blended net initial yield of 4.3% for the underlying stores. There is further information on the SRP investment on page 23.

During the year, the Company selectively strengthened its Direct Portfolio with the addition of nine supermarkets for a combined total of £362.6 million³⁶ at 11 different locations, including a further two after the year end.

July 2022: A Tesco superstore and M&S Foodhall in Chineham, Basingstoke, including non-grocery units for £71.9 million³⁶. The Tesco superstore had a 12-year unexpired lease term and is subject to 5-yearly, upwards only open market rent reviews.

August 2022: A Sainsbury's supermarket and M&S Foodhall in Glasgow with non-grocery units for £34.5 million³⁶. The unexpired lease terms of the two stores were 10 and 15 years respectively and both are subject to 5-yearly upwards only, open market rent reviews.

August 2022: A Tesco supermarket in Newton-le-Willows, Merseyside, for £16.6 million³⁶. The store had a 12-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.

August 2022: A Tesco in Bishops Cleeve, Cheltenham, for £25.4 million³⁶. The store had a 12-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.

September 2022: A Tesco supermarket in Llanelli, South Wales, for £66.8 million³⁶. The store had a 12-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.

September 2022: A Tesco supermarket, Iceland Food Warehouse and complementary non-grocery units in Bradley Stoke, Bristol, for £84.0 million³⁶. The Tesco store had a 14-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.

33 Stores include Sainsbury's - Newcastle, Tesco - Chineham, Tesco - Bradley Stoke and Sainsbury's - Bangor

34 Turnover: Atrato research based on communication with operators and store managers, combined with demographic and local competitor analysis. Store turnover has been inflated based on the time since last store visit

35 Gross consideration, excluding costs

36 Excluding acquisition costs

SECTOR SPECIALISM



Sainsbury's Reversion Portfolio

Between May 2020 and January 2023, the Company built a c. 51% stake in the Sainsbury's Reversion Portfolio firstly through a joint venture with British Airways Pension Trustees Limited ("BAPTL") and then through buying out BAPTL's stake. The SRP consisted of the freehold interest in 26 geographically diverse high-quality Sainsbury's supermarkets, with a London and southeast location bias. In September 2021 and January 2022, Sainsbury's exercised options to acquire 21 stores in the SRP (the "Option Stores") and agreed 15-year leases on four stores (the "Non-Option Stores"), illustrating the strategic importance of physical real estate to the grocery operators and the strength of the underlying SRP.

Upon the sale of its interest in the SRP to Sainsbury's in March 2023, the Company generated £430.9 million of gross proceeds, resulting in an IRR of 30% and money multiple of 1.9x. The transaction highlights the Company's ability to identify strong trading supermarket assets and the value creation from underwriting a grocer's ongoing occupation. For more information please see note 14 of the Financial Statements.

Creating shareholder value

- 30% IRR
- 1.9x money-on-money multiple

April 2023: A Tesco in Worcester, for £38.3 million³⁶. The store had a 12-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.

May 2023: A Sainsbury's in Kettering, for £12.0 million³⁶. The store has a 10-year unexpired lease term and is subject to 5-yearly upwards only, open market rent reviews.

May 2023: A Sainsbury's in Denton, for £13.2 million³⁶. The store has a 10-year unexpired lease term and is subject to 5-yearly upwards only, open market rent reviews.

Post balance sheet, following the receipt of the second tranche of SRP disposal proceeds the Company announced that it had acquired a further two supermarkets from Sainsbury's that were previously held within the SRP for a purchase price of £36.4 million³⁷.

July 2023: A Sainsbury's in Gloucester, for £17.4 million³⁷. The store has a 10-year unexpired lease term and is subject to 5-yearly upwards only, open market rent reviews.

July 2023: A Sainsbury's in Derby, for £19.0 million³⁷. The store has a 10-year unexpired lease term and is subject to 5-yearly upwards only, open market rent reviews.

Acquisitions during the year were financed using proceeds received from the unwind of the SRP, existing headroom within unsecured debt facilities and the proceeds from the equity raise in April 2022. For more information on financing arrangements refer to note 20 of the financial statements.

A table summarising the properties in the Direct Portfolio can be found in the Portfolio section on the Group's website: www.supermarketincomereit.com

Tenant exposure:

Tenant	Exposure by rent roll	Exposure by Valuation
Tesco	48.2%	48.9%
Sainsbury's	28.7%	30.4%
Morrisons	6.2%	5.6%
Waitrose	4.7%	5.2%
Asda	2.1%	2.0%
Aldi	0.8%	0.8%
M&S	0.8%	0.9%
Non-food	8.5%	6.2%
Total	100.0%	100.0%

*Including post balance sheet events

The strength of the Direct Portfolio is underpinned by long-term, secure income with a weighted average unexpired lease term of 13 years³⁸. In addition, our portfolio is heavily weighted towards upwards only inflation-linked rent reviews which provide protection in the current inflationary environment and help to reduce the impact of rising debt costs. The Direct Portfolio's weighting towards

upwards only, inflation-linked rent reviews is 78% with 54% reviewing annually (including post balance sheet acquisitions).

Indexation	Income mix by rent review type
RPI	71.2%
CPI	6.7%
Fixed	2.1%
OMV	20.0%
Total	100.0%

*Including post balance sheet events

WAULT	Supermarket WAULT breakdown
0-5 years	0.2%
5-10 years	19.3%
10-15 years	45.8%
15-20 years	29.6%
20+ years	5.2%
Total	100.0%

*Including post balance sheet events

The environmental efficiency of our stores continues to be a key priority through asset management initiatives, selective acquisitions and is supported by the ongoing investment by grocery tenants into respective store estates. A breakdown of supermarket EPC ratings can be seen below:

Supermarket EPC breakdown

EPC rating	% of supermarket Portfolio
A	4.2%
B	46.2%
C	33.7%
D	15.8%
Total	100.0%

*Including post balance sheet events

Sainsbury's Reversion Portfolio

Between May 2020 and January 2023, the Company built a c. 51% stake in the Sainsbury's Reversion Portfolio firstly through a joint venture with BAPTL and then through buying out BAPTL's stake. The SRP consisted of the freehold interest in 26 geographically diverse high-quality Sainsbury's supermarkets, with a London and southeast location bias.

Sainsbury's occupied the stores in the SRP under leases due to expire during 2023. The investment case for acquiring the stakes in the SRP was based on the Company's conviction that Sainsbury's would remain in occupation of a large majority of the stores.

³⁷ Excluding costs

³⁸ As at 20 September 2023

This proved to be correct with Sainsbury's exercising options to acquire 21 stores within the SRP (the Option Stores) for £1,040 million from the SRP and entering into new 15-year leases on four of the five remaining stores within the SRP (the Non-Option Stores).

In January 2023, the Company acquired BAPTL's interest in the SRP for £188.8 million (excluding acquisition costs). This acquisition was wholly funded by a receivables loan from J.P. Morgan secured against the Company's share of proceeds from the sale of the 21 Option Stores.

In March 2023, the Company sold its 51.0% beneficial interest in the SRP to Sainsbury's for a gross consideration of £430.9 million (excluding costs) payable in tranches.

The first tranche of £279.3 million was received on 17 March 2023 and the second of £116.9 million on 10 July 2023.

The Company received the third tranche when it acquired the four Non-Option Stores for a total consideration of £61.6 million. The remaining store will be sold at vacant possession value and the Company will receive 51.0% of the net proceeds, which are expected to be approximately £1.5 million.

The net proceeds from the sale of the Company's interest in the SRP have been used to reduce the Company's existing debt facilities, providing the Company with balance sheet flexibility and the ability to take advantage of opportunistic value add transactions.

Portfolio valuation

Cushman & Wakefield valued the Direct Portfolio as at 30 June 2023, in accordance with the RICS Valuation – Global Standards which incorporate the International Valuation Standards and the RICS UK Valuation Standards edition current at the valuation date.

The properties were valued individually without any premium/discount applying to the Direct Portfolio as a whole. The Direct Portfolio market value was £1,685.7 million, an increase of £124.1 million reflecting a valuation decline of £253.2 million offset by new acquisitions of £377.3 million. This valuation reflects a net initial yield of 5.6% and a like-for-like valuation decline of 13.7% since 30 June 2022. The benchmark MSCI All Property Capital Index during the same period was down 19%.

The decline in valuation reflects the outward shift in property yields applied by valuers across the real estate sector as a result of higher interest rates and the macroeconomic environment. This was largely recognised in the first half of the year, with a like-for-like valuation decline of 13.4% reported in the Company's valuation as at 31 December 2022. Valuations remained broadly flat in the second half of the year.

The valuation decline in the year has however been partially mitigated by our contractual inflation-linked rental uplifts. The average annualised increase in rent from rent reviews performed during the year was 4.1%. 80% of the Company's leases benefit from contractual rental uplifts, with 78% linked to inflation and 2% with fixed uplifts.



“The defensive characteristics displayed by supermarket property coupled with ongoing demand for long-term secure income is expected to continue to generate strong investor demand in this asset class for the foreseeable future.”

Steven Noble Chief Investment Officer

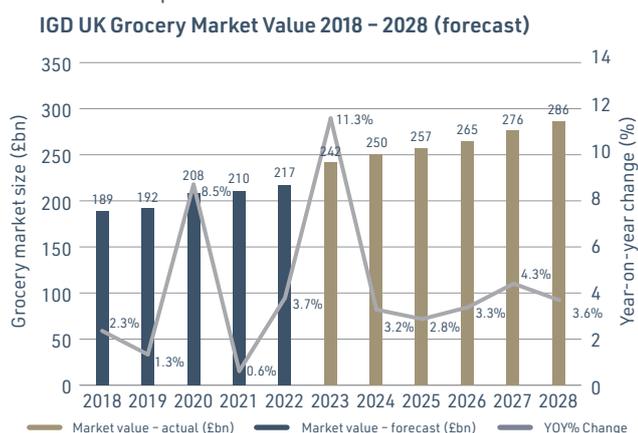
THE UK GROCERY MARKET

Atrato Capital Limited is the Investment Adviser to the Company. Steven Noble (Chief Investment Officer of Atrato Capital) discusses the UK grocery market and the outlook for real estate investment in the sector.

Q: How has the grocery sector performed over the last few years given the turbulent market macroeconomic backdrop?

A: The grocery market has demonstrated its defensive characteristics yet again over the last few years. Total UK grocery market sales are up 11% in the year, with the total UK grocery market now expected to generate over £240 billion in annual sales in 2023³⁹.

In fact, since IPO, the grocery market will have increased by over £50 billion from £185 billion in 2017 to an estimated £242 billion in 2023 representing a compound growth rate of 5% which exceeds both CPIH inflation and GDP growth over the same period.



Grocery is non-discretionary expenditure which accounts for 14%⁴⁰ of household spending. The change in consumer behaviour towards a greater proportion of time spent working from home and the increased market penetration of online grocery has resulted in a long-term structural shift in grocery demand. This has been achieved against a very turbulent five-year period for the wider UK economy which includes Covid lockdowns, supply disruptions, the Ukraine war, inflation and a sharp increase in interest rates.

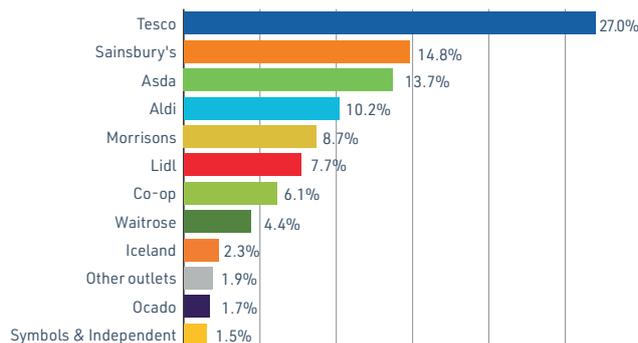
This long-term growth has been driving record flows of investment into the sector from a broad range of institutional investors, including the £14 billion of net investment from the sale of Asda in 2021 and Morrisons in 2022. This year there has also been £1.7 billion⁴¹ of capital investment into the supermarket property sector from investors looking for assets that offer consistent returns, underpinned by solid corporate covenants and low rent to turnover ratios.

The outlook for the sector remains positive, with structural long-term growth drivers, which in turn support property rental growth over the medium to long-term.

Q: What operators have been capturing this growth and who are the largest operators in the UK grocery market?

A: Six major supermarket operators fulfil over 83% of UK grocery demand with the majority fulfilled via a combined network of over 4,500 stores across the UK.

Kantar Worldpanel June 2023 – UK grocery market share by operator



Tesco, Sainsbury's, Asda and Morrisons are the larger multi-channel grocers who boast a combined market share of approximately 65%. Each of these businesses has multi-billion-pound revenues, an established consumer brand and core supermarket locations across the UK. These operators play an integral role in the UK market, successfully operating a strategy of price and assortment management through a multi-channel brand focused strategy. Their combined market share is largely unchanged since 2019, meeting demand of the enlarged market through their existing

39 IGD UK grocery market retail forecast 2023-2028
40 Office for National Statistics 2023

41 Knight Frank, Savills, MSCI and Atrato Capital research. Year ending 30 June 2023

network of stores and deep-rooted “farm to fork” supply chains which provide a significant barrier to entry to the UK market.

We are seeing some short-term pressure on margins, as the grocers seek to shield consumers from price rises. However, these well-established multi-channel operators have been generating consistent profitability and free cashflows with net profit margins that typically averaged around 4% over the long-term.

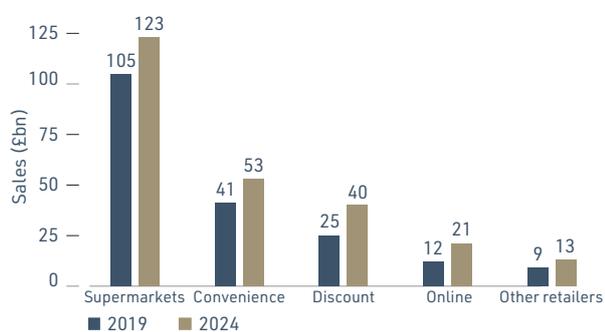
The second largest group of operators is the lower-price grocery operators (“Discounters”) such as Aldi and Lidl. They have grown through ambitious new store opening programmes which have captured a combined market share of 18%. However recent significant increases in construction costs are expected to result in a decline in the number of new stores in the coming years. The Discounters’ lower cost, low-margin business model requires simplicity and standardisation of range which is attractive to price sensitive customers.

This discount market remains highly competitive and the sector typically operates a lower net profit margins of between 1% to 2%. These fine margins mean that the Discounters are inflating prices quicker than other operators, having peaked at 26% compared to 15% for Tesco and Sainsbury’s⁴². Therefore, we see an element of market share gain coming simply through higher prices.

Q: What changes have you seen in the various grocery formats over the last 5 years?

A: As illustrated below, over the last five years the supermarket channel has remained the dominant sales channel in the UK grocery market, while online grocery has been the fastest growing, despite paring back from pandemic peaks over the last year.

Institute of Grocery Distribution (“IGD”) UK Grocery Channel forecasts



In the last 5 years we have seen a dramatic change in the online grocery channel. In 2018 online accounted for 8% of market share. The channel’s market share rapidly increased, peaking at 15% in 2021 at the height of the pandemic and it has since fallen to around 12% today. Online grocery is, however, set to remain one of the fastest growth channels in the grocery sector according to IGD’s forecasts.

The larger multi-channel operators have responded rapidly and effectively to capture this growth, increasing home delivery and Click & Collect capacity from a network of stores acting as last mile fulfilment centres. This agility has pioneered the new omnichannel store model that combines the largest channel with the fastest growing.

Larger supermarkets with in-store pick capacity have been well positioned to fulfil this growth with over 80%⁴³ of online grocery sales estimated to now be fulfilled from these omnichannel stores. At the extreme, our research has shown that the turnover of some individual omnichannel grocery stores is now 50% online and 50% physical shopping, and a 25%:75% split is not uncommon.

The UK’s large multi-channel grocers pioneered the development of the omnichannel business model towards which we are seeing a global convergence. The seamless integration between online and offline is a very significant development within the grocery industry empowering the operator to be truly blind to channel. Future grocery strategy can therefore be focussed purely on the customer and be agnostic to where the sale takes place – in-store, or online via delivery or Click & Collect.

Our investment strategy is aligned with this future model of grocery. A key pillar of the Company’s strategy is investing in omnichannel supermarkets to capitalise on the long-term structural trend towards growing omnichannel operations. We believe that our high-quality portfolio of omnichannel supermarket properties will deliver sustainable income and capital growth over the long-term.

Q: What is a typical supermarket lease structure?

A: Supermarket lease agreements are often long-dated and inflation-linked. Original lease tenures range from 15 to 30 years without break options. Rent reviews often link the growth in rents to an inflation index such as RPI, RPIX or CPI (with typically 4% caps and 0% floors), or, alternatively, may have fixed annual growth rates or open market rent reviews.

An open market review means that the rent is adjusted (usually upwards only) to reflect the rent the landlord could achieve on a letting in the open market. 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 usually 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 often 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 by the tenant is restricted.

42 Which? supermarket food price inflation tracker 15/08/2023

43 Atrato research

Q: How has supply and demand for supermarket property performed?

A: The supermarket sector is a highly attractive asset class within real estate investment. The financial performance by the UK's major grocery operators against a backdrop of growing UK grocery market and inflation has attracted increasing numbers of domestic and international institutional investors to invest in UK supermarket property.

Supermarkets have been less volatile than the broader UK property market when you examine investment performance trends over the last 15 years, illustrating the long-term strength and stability of this asset class, and underlining its ability to provide highly attractive and resilient income.

The significant level of grocery market growth and current high levels of inflation have driven the increase in store turnovers materially above rental caps making supermarket store leases look increasingly good value.

In addition, the combination of yields offered by supermarket properties and the rental review structures from which our market benefits mean they offer highly attractive long-term returns. As such, it is not surprising to see over £1.7 billion level of investment in this asset class over the 12-month period ending 30 June 2023.

There has been some supply of new grocery investment property opportunities due to the growth in the store network of the Discounters and the recent sale and leaseback activity from Asda and Morrisons, however, the buyback of supermarket property by Tesco and Sainsbury's over the last five years has resulted in a net overall contraction of leasehold supply. We believe this will be favourable to long-term yield compression in our sector.

The defensive characteristics displayed by supermarket property coupled with ongoing demand for long-term secure income is expected to continue to generate strong investor demand in this asset class for the foreseeable future.

Our objective is to provide secure, inflation-linked, long income from grocery property in the UK. Set out below are the key performance indicators we use to track our progress.

KPI	Definition	Performance ⁴⁴
1. Total Shareholder Return	Total shareholder return ("TSR") is one of the Group's principal measures of performance. TSR is measured by reference to the growth in the Company's share price over a period, plus dividends declared for that period.	(34%) for the year to 30 June 2023 (31 December 2022: (11.7%), 30 June 2022: 7%)
2. WAULT	WAULT measures the average unexpired lease term of the Direct Portfolio, weighted by the Direct Portfolio valuations.	14 years WAULT as at 30 June 2023 (31 December 2022: 14 years, 30 June 2022: 15 years)
3. EPRA NTA per share	The value of our assets (based on an independent valuation) less the book value of our liabilities, attributable to shareholders and calculated in accordance with EPRA guidelines. EPRA provides three recommended measures of NAV, of which the Group deems EPRA NTA as the most meaningful measure. See Note 26 for more information.	93 pence per share as at 30 June 2023 (31 December 2022: 92p, 30 June 2022: 115p)
4. Net Loan to Value	The proportion of our investment property portfolio gross asset value that is funded by borrowings calculated as balance sheet borrowings less cash balances divided by total investment properties valuation.	37% as at 30 June 2023 (31 December 2022: 40%, 30 June 2022: 19%)
5. Adjusted EPS*	EPRA earnings adjusted for company specific items to reflect the underlying profitability of the business.	5.8 pence per share for the year ended 30 June 2023 (31 December 2022: 2.9p, 30 June 2022: 5.9p)

*New measure reported during the period, with prior year comparative stated in line with new methodology

⁴⁴ 31 December 2022 figures are extracted from the Group's Interim Report for the six months ended 31 December 2022

Adjusted earnings⁴⁵ is a performance measure used by the Board to assess the Group's financial performance and dividend payments. The metric adjusts EPRA earnings by deducting one-off items such as debt restructuring costs and the Joint Venture acquisition loan arrangement fee which are non-recurring in nature and adding back finance income on derivatives held at fair value through profit and loss. Adjusted Earnings is considered a better reflection of the measure over which the Board assesses the Group's trading performance and dividend cover.

Finance income received from derivatives held at fair value through profit and loss are added back to EPRA earnings as this reflects the cash received from the derivatives in the period and therefore gives a better reflection of the Group's net finance costs.

Debt restructuring costs relate to the acceleration of unamortised arrangement fees following the partial transition of the Group's debt structure from secured to unsecured.

⁴⁵ The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance, but they have been included as the Directors consider them to be important comparable and key measures used within the business for assessing performance. The key non-GAAP measures identified by the Group have been defined in the supplementary information and, where appropriate, reconciliation to the nearest IFRS measure has been given

The Joint Venture acquisition loan arrangement fee relates to the upfront amount payable to J.P. Morgan in respect of the short-term facility taken out in January 2023 to fund the Group's purchase of BAPTL's 50% interest in the Joint Venture. This was specific debt taken out to finance the transaction to acquire and then dispose of the joint venture, whilst protecting the Group from any recourse on unwind of the Joint Venture's financial asset. This adjustment reflects the arrangement fee only, as the Group largely had other committed undrawn facilities that it could have utilised.

Adjusted EPS reflects the adjusted earnings defined above attributable to each shareholder.

The Group uses alternative performance measures, as disclosed above and including the EPRA Best Practice Recommendations ("BPR") to supplement its IFRS measures as the Board considers that these measures give users of the Annual Report and financial statements the best understanding of the underlying performance of the Group's property portfolio.

The EPRA measures are widely recognised and used by public real estate companies and investors and seek to improve transparency, comparability and relevance of published results in the sector.

The key EPRA performance measures used by the Group are disclosed on the following page.

Reconciliations between EPRA measures and the IFRS financial statements can be found in Notes 10 and 27 to the financial statements.

The table below shows additional performance measures, calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). We provide these measures to aid comparison with other European real estate businesses.

For a full reconciliation of all EPRA performance indicators, please see the Notes to EPRA measures within the supplementary section of the annual report.

Measure	Definition	Performance ⁴⁶
1. EPRA EPS	A measure of EPS designed by EPRA to present underlying earnings from core operating activities.	4.6 pence per share for the year ended 30 June 2023 (31 December 2022: 2.6p, 30 June 2022: 5.9p)
2. EPRA Net Reinstatement Value (NRV) per share	An EPRA NAV per share metric which assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	103 pence per share as at 30 June 2023 (31 December 2022: 102p, June 2022: 124p)
3. EPRA Net Tangible Assets (NTA) per share	An EPRA NAV per share metric which assumes entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	93 pence per share as at 30 June 2023 (31 December 2022: 92p, 30 June 2022: 115p)
4. EPRA Net Disposal Value (NDV) per share	An EPRA NAV per share metric which represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	98 pence per share as at 30 June 2023 (31 December 2022: 97p, 30 June 2022: 116p)
5. EPRA Net Initial Yield (NIY) & EPRA "Topped-Up" Net Initial Yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. The "topped-up" yield is the same as the standard measure as we do not have material adjustments for any rent-free periods or other lease incentives.	5.5% as at 30 June 2023 (31 December 2022: 5.3%, 30 June 2022: 4.6%)
6. EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	0.4% as at 30 June 2023 (31 December 2022: 0.5%, 30 June 2022: 0.2%)
7. EPRA Cost Ratio (Including direct vacancy costs)	Administrative & operating costs (including costs of direct vacancy) divided by gross rental income.	15.5% for the year ended 30 June 2023 (31 December 2022: 16.7%, 30 June 2022: 16.5%)
8. EPRA Cost Ratio (Excluding direct vacancy costs)	Administrative & operating costs (excluding costs of direct vacancy) divided by gross rental income.	15.2% for the year ended 30 June 2023 (31 December 2022: 16.5%, 30 June 2022: 16.4%)
9. EPRA LTV	Net debt divided by total property portfolio and other eligible assets.	35.2% as at 30 June 2023 (31 December 2022: 40.2%, 30 June 2022: 22.2%)
10. EPRA Like-for-like rental growth*	Changes in net rental income for those properties held for the duration of both the current and comparative reporting period.	Rental increase of 2.7% for the year ended 30 June 2023
11. EPRA Capital Expenditure*	Amounts spent for the purchase of investment properties (including any capitalised transaction costs). There has been no other capital expenditure incurred in relation to the investment property portfolio.	£377.3 million for the year ended 30 June 2023 (31 December 2022: £310.2 million, 30 June 2022: £388.7 million)

*New measure reported during the year, with prior year comparative stated in line with new methodology

⁴⁶ 31 December 2022 figures are extracted from the Group's Interim Report for the six months ended 31 December 2022



“The Company has taken prudent steps to further strengthen the balance sheet, by paying down debt as well as extending the term of its facilities with both new and existing lenders.”

Haffiz Kala Finance Director

Key achievements

- Restructuring the balance sheet, transitioning the Company from a secured to an unsecured debt structure
- Fixed 100% of drawn debt at a weighted average cost of 3.1%
- Extending and broadening its banking relationships

FINANCIAL OVERVIEW

Atrato Capital Limited, the Investment Adviser to the Group, is pleased to report the financial results of the Group for the 12 months ended 30 June 2023.

IFRS net rental income for the year to 30 June 2023 increased by 32% to £95.2 million, up from £72.1 million in the prior year. Contracted inflation rent reviews in the year resulted in average passing rent increases in the Portfolio of 4.1% compared to 3.7% in the prior year, with the majority of reviews hitting their maximum rental caps. The like-for-like rental growth for properties held for a full year was 2.7%. A further £15.2 million of rental income was also recognised from new acquisitions during the year, which were purchased at an average NIY of 5.4%.

Administrative and other expenses, including management and advisory fees and other costs of running the Group, were £15.4 million (30 June 2022: £13.9 million) generating an EPRA cost ratio (including direct vacancy costs) for the year of 15.5% (30 June 2022: 16.5%).

Net financing costs for the year were £24.7 million (30 June 2022: £13.0 million). The increase in net financing costs reflects higher leverage in the period, with the weighted average debt for the year being £672.3 million (30 June 2022: £491.4 million). The Company fixed 100% of its drawn debt during the year which provided security during a time of significant interest rate volatility (see financing and hedging section below). Subsequent to the year end, the Company completed a debt refinancing exercise, maintaining its weighted average maturity of debt to just over four years⁴⁷. At the same time the Company extended the term of its hedging by 12 months, fixing 100% of the Company’s drawn debt at a weighted average cost of debt of 3.1%.

Key figures

- 30% increase in annualised passing rent to £100.6 million
- Average passing rent increases of 4.1%
- 37% increase in operating profit to £79.8 million
- Delivered FY 2023 dividend of 6p

Net financing costs reflect a one-off non-recurring finance charge of £1.5 million, resulting from the acceleration of unamortised arrangement fees as a result of the Company restructuring 50% of its debt from a secured to an unsecured debt structure. Financing costs were further impacted by the upfront amount payable to J.P. Morgan in respect of the short-term facility taken out in January 2023 to fund the Group’s purchase of BAPTL’s 50% interest in the Joint Venture.

The Group’s operating profit, before changes in fair value of investment properties and share of income from the joint venture, as reported under IFRS, increased by 37.2% to £79.8 million (30 June 2022: £58.2 million).

The net decrease in fair value of the Direct Portfolio investment properties in the year was £256.1 million (30 June 2022: £21.8 million increase), which comprised of a £253.2 million valuation reduction in addition to £2.9 million of rent smoothing, lease incentive and rental guarantee adjustments. As noted above, the decline in valuation reflects the outward shift in property valuation yields due to rising interest rates and the macroeconomic environment. As at 30 June 2023, the Group’s EPRA NTA per share was 93 pence (31 December 2022: 92 pence, 30 June 2022: 115 pence).

In January 2023, the Group increased its interest in the joint venture relating to the SRP, with the acquisition of an additional 25% stake for £188.8 million (excluding transaction costs). This was fully funded by a short-term loan from J.P. Morgan, which was repaid in full on receipt of the first tranche of proceeds received in March 2023 (see financing and hedging section below).

The Company subsequently sold its stake in the SRP to Sainsbury’s in March 2023. The share of income from the joint venture prior to disposal was £23.2 million (30 June 2022: £43.3 million). However, the share of income (excluding fair value movements) in the year was £11.7 million (30 June 2022: £12.2 million).

⁴⁷ Including uncommitted extension options

Following the sale of the Company's interest in the SRP, the Group generated gross proceeds of £430.9 million, resulting in a profit on disposal of £19.9 million. The proceeds were structured in three tranches, where a receivable of £136.4 million was recognised as at 30 June 2023.

The first tranche of £279.3 million was received on 17 March 2023 and the second tranche of £116.9 million was received on 10 July 2023. The timing of the third tranche of £34.7 million was conditional on the sale of the remaining five stores in the SRP.

Four of the five stores were purchased by the Group for £61.6 million in March 2023 and July 2023, utilising £33.3 million of the outstanding receivable.

The Group is a qualifying UK Real Estate Investment Trust ("REIT") which exempts the Group's property rental business from UK Corporation Tax⁴⁸.

Financing and hedging

During the year, the Group extended and broadened its banking relationships as follows:

- In July 2022, the Group secured a new £412.1 million unsecured credit facility with a bank syndicate comprising Barclays, Royal Bank of Canada, Wells Fargo and Royal Bank of Scotland International. This was priced at 1.5% above SONIA with a weighted average term of six years (inclusive of uncommitted extension options).
- In September 2022, the Group agreed a further two-year extension (inclusive of a one-year accordion option at the lender's discretion) of its £150.0 million Revolving Credit Facility with HSBC. All other terms of the facility remained unchanged.
- In January 2023, the Group secured a new £202.8 million secured debt facility provided by J.P. Morgan. The Facility had an interest rate of 5.3% and was fully repaid in March 2023 following receipt of £279.3 million in respect of the first tranche of proceeds from the sale of the Group's interest in the SRP to Sainsbury's.
- In March 2023, the Group refinanced its existing loan facilities with Bayerische Landesbank, with a new three-year £86.9 million term loan fixed at an all-in rate of 4.29%.
- Post year end, the Group completed a comprehensive debt refinancing exercise securing a new £67.0 million facility with Sumitomo Mitsui Banking Corporation ("SMBC") priced at 1.4% above SONIA, whilst reducing its HSBC facility from £150.0 million to £50.0 million and cancelling its Barclays/RBC facility of £77.5 million. The average maturity of the Group's facilities (including extension options) is now over 4 years.

During the year, the Group made the decision to fix 100% of its floating rate debt exposure. This was achieved by entering into three interest rate swaps. This hedged £381.0 million of drawn floating unsecured debt for a weighted average term of four years. The cost of acquiring the hedges was £35.5 million.

The Group also purchased an interest rate cap to fix the variable rate of interest on £96.5 million of its Revolving Credit Facility with HSBC until August 2024 for £6.0 million.

In March 2023, in line with the refinanced Bayerische Landesbank loan facilities, the Group settled early its existing in-the-money hedges for this facility for a profit of £2.9 million. The proceeds were used to enter into new interest rate swaps that matched the terms of the new refinanced loan facility of £86.9 million maturing in May 2026. The cost of acquiring the new hedges was £2.8 million.

The interest rate derivatives entered into during the year had a weighted average fixed rate on the associated debt of 3.1% (including margin). The cost of acquiring these interest rate derivatives was £44.3 million and were valued at year end at £54.3 million. The effect on the income statement for the new derivatives for the period are a profit on fair value of the derivatives of £10.0 million and finance income received from the quarterly settlement of the derivatives of £9.7 million.

Post year end, the Group used the value of its existing in-the-money interest rate hedges to extend the term of its hedging arrangements by 12 months at no additional cost to the Company. 100% of the Company's drawn debt is now either fixed rate or hedged to a fixed rate, representing a weighted average all-in cost of debt of 3.1%.

⁴⁸ Profits which are not derived from property rental business would be subject to corporation tax

A summary of the Group's credit facilities as at the year end and after the balance sheet date is provided below:

Lender	Facility	Maturity	Extended Maturity*	Margin	Sonia/ swap rate**	Loan commitment (30-June-23) £m	Amount drawn (30-June-23) £m
Barclays and RBC	Revolving Credit Facility	Jan-24	Jan-26	1.50%	SONIA	77.5	-
Bayerische Landesbank	Term Loan	Mar-26	Mar-26	1.65%	2.64%	86.9	86.9
Deka Bank	Term Loan	Aug-24	Aug-26	1.35%	0.54%	47.6	47.6
Deka Bank	Term Loan	Aug-24	Aug-26	1.35%	0.70%	28.9	28.9
Deka Bank	Term Loan	Aug-24	Aug-26	1.40%	0.32%	20.0	20.0
HSBC	Revolving Credit Facility	Aug-24	Aug-25	1.65%	1.12%	96.5	78.1
HSBC	Revolving Credit Facility	Aug-24	Aug-25	1.65%	SONIA	3.5	-
HSBC	Revolving Credit Facility	Aug-24	Aug-25	1.75%	SONIA	50.0	-
Wells Fargo	Revolving Credit Facility	Jul-25	Jul-27	2.00%	0.19%	30.0	30.0
Wells Fargo	Revolving Credit Facility	Jul-25	Jul-27	2.00%	SONIA	9.0	0.0
Unsecured Syndicate	Revolving Credit Facility	Jul-27	Jul-29	1.50%	1.34%	250.0	218.5
Unsecured Syndicate	Term Loan	Jul-25	Jul-27	1.50%	1.34%	100.0	100.0
Unsecured Syndicate	Term Loan	Jan-24	Jan-25	1.50%	1.34%	62.1	62.1
Total						862.1	672.1

Lender	Facility	Maturity	Extended Maturity*	Margin	Sonia/swap rate**	Loan commitment (Post balance sheet) £m	Amount drawn (Post balance sheet) £m
Bayerische Landesbank	Term Loan	Mar-26	Mar-26	1.65%	2.64%	86.9	86.9
Deka Bank	Term Loan	Aug-24	Aug-26	1.35%	0.54%	47.6	47.6
Deka Bank	Term Loan	Aug-24	Aug-26	1.35%	0.70%	28.9	28.9
Deka Bank	Term Loan	Aug-24	Aug-26	1.40%	0.32%	20.0	20.0
HSBC	Revolving Credit Facility	Sept-26	Sept-28	1.70%	SONIA	50.0	-
SMBC	Term Loan	Sept-26	Sept-28	1.40%	1.57%	67.0	67.0
Unsecured Syndicate	Revolving Credit Facility	Jul-27	Jul-29	1.50%	1.76%	250.0	204.3
Unsecured Syndicate	Term Loan	Jul-25	Jul-27	1.50%	1.21%	50.0	50.0
Unsecured Syndicate	Term Loan	Jul-26	Jul-27	1.50%	1.48%	50.0	50.0
Wells Fargo	Revolving Credit Facility	Jul-25	Jul-27	2.00%	1.21%	30.0	30.0
Wells Fargo	Revolving Credit Facility	Jul-25	Jul-27	2.00%	SONIA	9.0	0.0
Total						689.4	584.8

* Inclusive of uncommitted extension options

**Interest cost is inclusive of hedging arrangements where applicable. Amounts stated do not include unamortised arrangement fees

The overall facilities and hedging arrangements (including post balance sheet events) have a weighted average debt maturity of 4 years (including extension options) (30 June 2022: 4 years) and a cost of borrowing of 3.1% (30 June 2022: 2.8%).

The Group continues to have a conservative leverage policy, with a medium-term LTV target of 30%-40%. At the year end, total net debt was £630.0 million, resulting in a net loan to value (LTV) ratio of 37.4% (30 June 2022: 19.0%). Including post balance sheet events, the Group's Gross LTV currently stands at 34.0%. The Group has further balance sheet capacity to utilise for opportunities which may come to market.

Each of the loans under the secured credit facilities requires interest payments only until maturity and are 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.

Each of the loans under the unsecured credit facilities requires interest payments only until maturity.

The Group continues to maintain significant headroom on its LTV covenants which contain a maximum 60% LTV threshold and a minimum 190% interest cover ratio for each asset in the Portfolio. As at 30 June 2023, the Group could afford to suffer a fall in secured property values of 48% before being in breach of its LTV covenants. With current hedging arrangements in place the Group has significant interest cover headroom.

Further analysis on the Group's liquidity and banking covenant compliance strength is set out in note 1 of the financial statements. Details of the Group's debt and interest rate hedging can be found in Notes 20 and 21 to the financial statements.

Dividends

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

- On 21 September 2022, a first interim dividend of 1.5 pence per share, which was paid on 16 November 2022.
- On 12 January 2023, a second interim dividend of 1.5 pence per share, which was paid on 23 February 2023.
- On 11 April 2023, a third interim dividend of 1.5 pence per share, which was paid on 26 May 2023.
- On 6 July 2023, a fourth interim dividend of 1.5 pence per share, which was paid on 4 August 2023.

The Group's adjusted dividend cover ratio was 0.97x for the year (30 June 2022: 1.08x). The decrease is reflective of the increased debt levels of the Group for the year, interest rate increases and the timing of the receipt of the SRP proceeds to reinvest into increasing the earnings of the Group.

The Company is targeting to increase the dividend for the year to 30 June 2024 to 6.06 pence per share, which will be the sixth consecutive year of annual dividend increases.

Atrato Capital Limited

Investment Adviser

19 September 2023

ESG Statement

The UK is targeting Net Zero emissions by 2050. Achieving this will require the full commitment of the real estate sector, among many others. Supermarket Income REIT plc acknowledges that it has a role to play within that commitment and therefore must identify and manage its sustainability risks accordingly. The Company believes that this approach aligns with the interests of its key stakeholders.

Enhanced collaboration between landlords and tenants is necessary if zero carbon initiatives are to be successful and the Company is especially focused on this, given the (full repairing and insuring) nature of the majority of its leases. The Company’s sector has proved itself to be agile in times of hardship through the “feed the nation” enterprises; now is the time to deliver on zero carbon initiatives throughout its operations.

In addition to the Company’s disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommended disclosures, the Company will publish its first Sustainability Report in 2023. The Sustainability Report contains disclosures on other environmental, social and governance (ESG) topics, including outlining the Company’s work to consolidate its approach, by integrating sustainability into all levels of the fund and its investment process.

Highlights from the Sustainability Report, beyond the Company’s climate-related activities and commitments, will include environmental asset management initiatives to benefit occupiers and communities, further improvements to its ESG Governance following the establishment of the ESG Committee during FY 2022, and community engagement through charitable giving and community partnerships.

The Company’s approach to ESG is underpinned by the Board’s commitment to good stewardship and long-term value creation for our stakeholders. Our aim is to continue to enhance and refine our sustainability strategy and reporting moving forward.

Streamlined Energy and Carbon Reporting (“SECR”)

The below table and supporting narrative summarise the Streamlined Energy and Carbon Reporting (SECR) disclosure. As a listed entity, the Company is required to comply with the Streamlined Energy and Carbon Reporting (SECR) regulations under the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Only data for the year ended 30 June 2023 is included as this is the Company’s first year of SECR.

Reporting year	Current reporting year: 1st July 2022 – 30th June 2023
Location	UK
Emissions from the combustion of fuel and operation of facilities (tCO ₂ e) (Scope 1)	10
Emissions from purchase of electricity (location-based) (tCO ₂ e) (Scope 2)	101
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO ₂ e) (Scope 3) ⁴⁹	N/A
Voluntary: Emissions from Fuel and Energy related activity (tCO ₂ e) (Scope 3)	37
Voluntary: Emissions from Purchased Goods and Services (tCO ₂ e) (Scope 3)	3,132
Voluntary: Emissions from Capital Goods (tCO ₂ e) (Scope 3)	463
Voluntary: Emissions from Downstream Leased Assets (tCO ₂ e) (Scope 3)	77,274
Total gross emissions based on the above (tCO₂e)⁵⁰	81,017
Energy consumption used to calculate Scope 1 emissions (kWh)	606,629
Energy consumption used to calculate Scope 2 emissions (kWh)	521,321
Energy consumption used to calculate Scope 3 emissions (kWh) ⁵¹	186,704,059
Total energy consumption based on above (kWh)	187,832,009
Intensity ratio: tCO ₂ e (gross Scope 1 + 2) per m ² of floor area	0.00045
Intensity ratio: tCO ₂ e (gross Scope 1, 2 + 3) per m ² of floor area	0.13

49 Emissions not calculated due to lack of data and immateriality (<1% of total emissions). SUPR does not have an office or employees. The only travel is quarterly travel by non-exec directors, the majority of which is local travel in London

50 Values have been rounded

51 Tenant energy consumption only

Methodology

The 2022/23 SECR footprint is equivalent to 81,017 tCO₂e, with the largest portion being made up of emissions from downstream leased assets at 77,273 tCO₂e.

The Company has calculated the above greenhouse gas (GHG) emissions to cover all material sources of emissions for which the Company is responsible. The methodology used was that of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). Responsibility for emissions sources was determined using the operational control approach. All emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 are included.

Raw data captured in spreadsheets including energy spend and consumption data has been collected from the Company. Where actual consumption data was available for natural gas and electricity use, this was used. To address data gaps, the most appropriate proxy was applied by using either previous year's data, actual data to calculate average monthly consumption, or by applying the average floor area intensity from sites with actual data. Fuel oil was estimated by applying the average 2022 UK fuel oil price to the budgeted spend for fuel oil. Energy was then converted to GHG emissions using the UK Government's GHG Conversion Factors for Company Reporting 2022.

Scope 3 emissions have been calculated for relevant material categories using consumption data, spend data, floor area and EPC data. Fuel and Energy related activities includes well-to-tank ("WTT") and transmission and distribution ("T&D") upstream emissions from Scope 1&2. For Purchased Goods and Services, Environmentally Extended Input Output ("EEIO") has been used. Spend data was provided per supplier by the Company's Finance team and mapped to 2022 DEFRA Input/Output ("IO") categories. Embodied emissions from two newly built sites were estimated for Capital Goods, based on LETI factors. Where actual data was not available for Downstream Leased Assets, a combination of CIBSE benchmarks were used against EPC data on energy use and heating type. Publicly available air conditioning ("AC") certificates were used to determine the type and amount of refrigerants, where this was not available other similar sites were used as proxies. As per EPA data, the size of the air conditioning equipment used was dependent on the amount of refrigerant used and the floor area. Supermarket refrigeration and non-food air conditioning was estimated using an intensity estimate from EPA data as no activity data was available. Refrigerant loss rate for refrigeration was taken from Direct Emissions from Use of Refrigeration, Air Conditioning Equipment and Heat Pumps from DEFRA.

Energy Efficiency Action

The Company has made efforts to improve energy efficiency across landlord-controlled areas between 1 July 2022 and 30 June 2023. The car park and communal lighting has been upgraded to LED at Winchester, West End Retail Park (50% complete), Willow Brook Centre (99% complete) and Wisbech sites. Further upgrades to LED lighting are planned for other sites. The Company is also in the process of replacing the Air Handling Unit at the Beaumont Leys site and implementing a sustainable heating solution for the mall. A Battery Management System upgrade, PIR controls and monitoring and education has also been put in place at the Willow Brook Centre.

Task Force on Climate-Related Financial Disclosures (TCFD)

Introduction

The effects of climate change are impacting countries, businesses and society in many ways. Such impacts will continue to increase if significant mitigation measures are not taken by all contributors. The UK commercial real estate industry is not immune from these effects and faces numerous risks associated with climate change that could impact the industry in the near and long-term. These risks include, but are not limited to, flooding and heat waves, impacting tenant operations and supply chains, as well as regulatory actions requiring emissions reductions and energy efficiency improvements. Along with these risks also come opportunities for improving the industry's readiness, which could offer valuable contributions to mitigation of climate change's impacts and associated risks.

Supermarket Income REIT plc is dedicated to mitigating climate-related risks, reducing its environmental impact and managing its climate-related risk exposure. In anticipation of, and in response to, the impacts that these risks pose to the Company, its tenants and stakeholders, the Company continues to build out an effective governance structure and put measures in place to enhance its climate risk management strategy. The Company is supported by Atrato Capital Limited (the "Investment Adviser") which, as a signatory of the United Nations' Principles for Responsible Investment (UNPRI) and the Net Zero Asset Managers (NZAM) Initiative, is committed to assisting the Company achieve its sustainability and climate goals to combat the climate crisis.

The Company continues to build on its voluntary reporting in line with the taskforce on Climate-related Financial Disclosure (TCFD) recommendations and enhance its climate-related strategy to advance the development and implementation of a comprehensive risk management framework. This strategy, developed by the Investment Adviser, in conjunction with the Board of the Company, will include a roadmap derived from climate risk identification, scenario analysis and a financial impact assessment of material risks. This collaboration between the Investment Adviser and the Board helps to ensure that the Company's

investments will continue to be guided by a comprehensive risk management strategy that incorporates climate risks.

In 2022, the Company reported against the four TCFD pillars in its TCFD-aligned report. In 2023 the Company is voluntarily disclosing for the first time on a basis consistent with all 11 of the TCFD recommendations and recommended disclosures.

Table 1 summarises the 2023 disclosures and areas identified for improvement in future years.

Table 1: The Company's TCFD Statement of the Extent of Consistency with the TCFD Framework

TCFD Category	TCFD Recommendation	2023 TCFD compliance	Future planned improvements
Governance	Describe how the board exercises oversight of climate-related risks and opportunities.	Consistent – see Governance section	N/A
	Describe management's role in assessing and managing climate-related risks and opportunities.	Consistent – see Governance section	N/A
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	Consistent – see Strategy section	Expand upon risk and opportunity identification processes to include engagement with tenants. Ongoing process 2024
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Consistent – see Table 2	Refine and publish quantitative, financial impacts. To be completed by Q1 2024
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Consistent – see Strategy section	Build upon the Science Based Target (SBT) road map into a more detailed Climate Transition Plan. Q2 2024
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks.	Consistent – see Risk Management section	Expand on climate risk and opportunity identification. Q2 2024
	Describe the organisation's processes for managing climate-related risks.	Consistent – see Risk Management section	Formalise climate-related communication channels with tenants. Q2 2024
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Consistent – see Risk Management section	N/A
Metrics and Targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Consistent – see Metrics and Targets – Table 3	N/A
	Disclose Scope 1, Scope 2 and, if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks.	Consistent – see Greenhouse Gas Emissions section	N/A
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Consistent – see Metrics and Targets section	Work is currently ongoing to model emissions reductions, develop a roadmap to reduce those emissions and submit a target to the Science Based Targets initiative (SBTi). Q4 2023

Governance

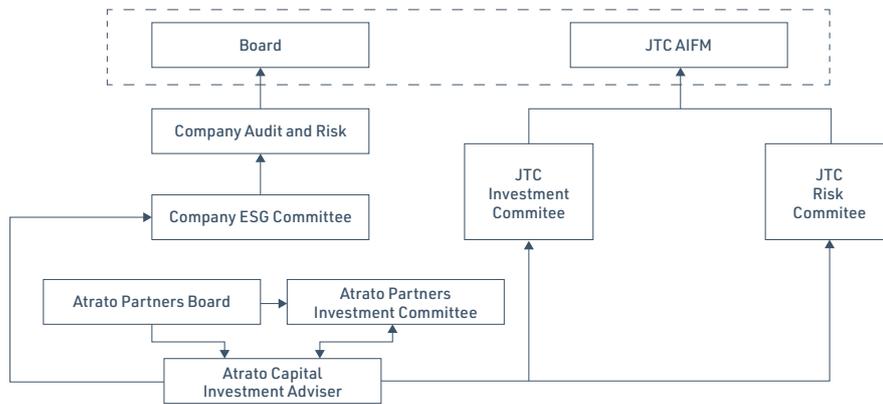
Describe how the board exercises oversight of climate-related risks and opportunities:

The Board and the Alternative Investment Fund Manager (“AIFM”) are responsible for the investment decisions of the Company and directing the delivery of services by the Investment Adviser to ensure that climate-related priorities are incorporated into the execution of the investment strategy. In support of this objective, the Board established the ESG Committee in May 2022 to ensure that the Company’s climate-related issues are integrated into its business plan and corporate performance objectives. Following the 2023 reporting process, the Board will consider the annual budget implications of the inaugural climate scenario analysis results and will also consider updating risk management policies as is deemed appropriate.

The Board appoints the members of the Committee, which has the delegated authority of the Board to monitor the integrity and quality of the Company’s climate risk strategies, as well as to track progress against climate-related goals and targets, which will be presented to the Board on a quarterly basis. Many of these goals and targets are new to 2023 (documented within Table 3 below) and are in the process of being embedded within Board presentations.

The Investment Adviser is responsible for advising the Board and ESG Committee in matters related to climate risk and the Investment Adviser’s Head of Sustainability is responsible for delivery of these services on behalf of the Investment Adviser. The Board also engages with third-party advisers to develop its understanding of climate-related risks and how they apply to the Company.

Figure 1: Governance structure related to climate-related risks and opportunities



Atrato Capital	Atrato Partners		JTC			Company		
Head of Sustainability	Board	Investment Committee	Risk Committee	Investment Committee	AIFM	ESG Committee	Audit and Risk Committee	Board
Develops and executes the sustainability strategy, risk identification and oversight	Ensures sustainability considerations and risk management are embedded in IA systems and controls	Ensures sustainability risks and opportunities are reflected in investment advice	Oversight of JTC sustainability and policies including as they apply to AIF clients	Ensures sustainability risks and opportunities are reflected in investment proposals	Oversees and executes the sustainability strategy. Develops and executes risk identification and oversight	Climate risk monitoring strategy recommendations and oversight	Climate risk monitoring and mitigation recommendations in the context of overall risk management	Approval of sustainability strategy and joint responsibility for company risk management

Describe management's role in assessing and managing climate-related risks and opportunities:

Investment Adviser

The Investment Adviser is responsible for the delivery of the climate risk strategy on behalf of the Company. Steve Windsor, Principal and Sustainability Champion at the Investment Adviser, is responsible for oversight, monitoring and management of climate-related risks and opportunities. The Investment Adviser's Head of Sustainability is responsible for the operational delivery of climate-related risks and opportunities measures within the Investment Adviser's operations and leads the provision of climate risk advice to the Company.

The Head of Sustainability is a standing attendee at the Investment Adviser's Investment Committee, assuming responsibility for implementation and alignment with the Investment Adviser's sustainability systems and controls, co-ordination of third-party service providers, and delivery of the Company's sustainability strategy.

Where the Company has appointed a specialist service provider, the Investment Adviser will require and hold regular project progress meetings with the service provider, where delivery is tracked against an agreed project timeline. The results of the progress will be communicated to the ESG Committee by the Investment Adviser in the context of its progress against the agreed sustainability strategy.

Reporting – The Investment Adviser has reviewed its reporting obligations to the Company over the year. With the introduction of the ESG Committee, key topics such as strategic developments, occupational health and safety events, and potentially material adverse impacts will be reported under a more consistent framework.

Certain topics will be included as standing items in the quarterly information pack provided to the ESG Committee. These are designed to:

1. Provide Committee members with the ability to directly monitor management of the identified climate-related risks and opportunities. This will include Energy Performance Certificate ("EPC") ratings and progress against the delivery of the sustainability plans for the higher risk assets, flood risk assessments and updates on and feedback from the tenant engagement plan;
2. Oversee the Investment Adviser's performance against the agreed deliverables under the sustainability strategy as well as holding it to account for non-performance.

The Investment Adviser has also sought to expand its external reporting, having become a signatory to both UNPRI and NZAM. It will be making the necessary reports required under these commitments over the next reporting period. Finally, the Investment Adviser has improved its data collection in relation to its own activities to support the public disclosures of the Company, in particular the social and governance aspects.

Sustainability Strategy and Benchmarking –

The sustainability activities of the Investment Adviser are supplemented by services from third-party providers. During the financial year, the Company has sought advice from CEN-ESG on improvements it can make to its sustainability strategy and framework, as well as undertaking a benchmarking exercise to assess the Company's sustainability strategy delivery against its peer group.

The outcome of this exercise has been the development of a gap analysis for more holistic, ESG disclosures against best practices and against the Company's peer group. The consultants provided advice on climate and other ESG disclosure expectations of the independent sustainability rating agencies, and the consequential improvements required by the Company and Investment Adviser in this regard. These recommendations have been reflected in the Company's sustainability strategy, against which the ESG Committee tracks the Investment Adviser's progress against the agreed deliverables.

These additions have also been included in the review of the Company's Sustainable Investment Management System (SIMS) which was developed concurrently.

Systems and controls – The Investment Adviser has appointed specialist sustainability systems experts, Quarter Penny Consulting Ltd to expand its sustainability systems and controls to ensure they are effective in delivering the Company's sustainability strategy. Identification of climate-related risks already forms part of the Investment Adviser's investment process. However, this has been expanded to ensure more accurate data collection and asset level risk analysis. These changes which the Company is in the process of implementing include:

- Expansion of the existing asset level sustainability improvement tracking to include asset level plans and the introduction of greater oversight of their delivery;
- Active analysis and monitoring of flood risk on a location specific basis under different climate scenarios;
- Formalising a tenant engagement policy with standardised information request templates;
- Formalising use of the legal risk register to monitor applicable regulatory and legal changes.

Such systems and controls will continue to be reviewed and improved in response to the climate scenario analysis performed in Q2 2023.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term:

During the reporting period, the ESG Committee approved an updated climate risk strategy for the Company in line with its continual improvement ethos. In addition to the review and revision of the Company's previous sustainability commitments, the strategy identified three key aims for the 2022/23 reporting period.

- Expansion of reporting in-line with TCFD application guidance.
- Introduction of climate-related performance targets for the Investment Adviser.
- Further review and development of the Investment Adviser's systems and controls.

The Board and ESG Committee recognise that to ensure successful implementation of the Company's sustainability strategy, and specifically the integration of sustainability factors into the investment process, appropriate training and communication of sustainability considerations must be provided to the Investment Adviser's employees. The Investment Adviser will therefore expand its training programs over the course of the year to more fully incorporate climate risk topics, which it will continue to develop in line with stakeholder expectations and sector developments.

For this reporting period, a first stage risk screening was conducted to identify and assess the impact of the Company's climate-related transition and physical

risks, as well as corresponding opportunities. Relevant and potentially material risks and opportunities were identified through a review of existing risk assessments and consultation with the Investment Adviser. These risks were given a 'First Stage Rating', based on the judgement of the Investment Advisers, to enable the higher priority risks to be taken forward for a more detailed review.

The short-, medium-, and long-term time horizons were chosen to align with specific climate risks and risk management strategies. The short-term time horizon (2023-2030) aligns to the anticipated compliance deadline for Minimum Energy Efficiency Standards ("MEES"). The Investment Adviser anticipates 2030 as the target year for a minimum B-rating across qualifying sites. Due to the 14-year WAULT of its portfolio, the Company expects few changes to the existing leases arrangements during this time period. The medium time horizon (2030-2040) aligns with a period of current lease renewals for the majority of Company's tenants, during which physical and transition risks associated with the Company's portfolio may have greater influence on lease agreements with existing and new tenants. Finally, the long-term horizon (2040-2050) coincides with a potential increase in the likelihood and severity of physical climate risks impacting the Company's portfolio and allows for the creation of long-term strategies and planning regarding portfolio management in response to these risks. The Company expects that the short-, medium-, and long-term horizons will align with those of the Company's forthcoming climate targets, which will be set in the next reporting period.

Table 2 | Scenario analysis results for the Company's climate risks and opportunities and First Stage risk rating

Risk description	Scenario ^(a)	Impact ^(b)	Likelihood ^(c)	Overall Rating ^(d) by Time Horizon		
				Short (2023-2030)	Medium (2030-2039)	Long (2040-2050)
Physical Risk – Flooding (Acute & Chronic): Increased insurance premiums and increased capital expenditure required on adaptive or remediation measures.	First Stage Rating	Higher	Higher	Moderate	Higher	Higher
	Below 2°C Scenario	Moderate	Higher	Moderate	Moderate	Moderate
	Above 4°C Scenario	Moderate	Higher	Moderate	Moderate	Moderate
Physical Risk – Extreme Heat (Acute): Increasing operating costs for tenants through increased energy demand required for cooling; supply chain disruption, stock damage and write off. This may increase capital expenditure, repairs and maintenance, and reduced tenant demand and/or rent premiums for less energy efficient buildings.	First Stage Rating	Moderate	Higher	Moderate	Higher	Higher
	Below 2°C Scenario	Moderate	Lower	Lower	Lower	Lower
	Above 4°C Scenario	Moderate	Lower	Lower	Lower	Moderate
Transition Risk – Policy and Legal Risk: Currently represented by Minimum Energy Efficiency Standards (MEES), but could also include, new, future, additional regulations. Any properties not compliant with MEES could reduce tenant demand, reduce rent premiums or result in fines.	First Stage Rating ^(e)	Moderate	Higher	Higher	Higher	Moderate
	Below 2°C Scenario	Higher	Moderate	Moderate	Moderate	Moderate
	Above 4°C Scenario	Higher	Lower	Lower	Lower	Lower
Transition Risk – Market: Energy Costs may increase for tenants, shifting preferences for more energy efficient buildings and renewables.	First Stage Rating	Moderate	Moderate	Moderate	Moderate	Moderate
	Below 2°C Scenario	n/a – scenario analysis not performed for this risk type				
	Above 4°C Scenario					
Transition Risk – Reputation: Tenants demand preferences may shift to lower carbon, highly energy efficient buildings, due to Net Zero commitments and their customer demands, reducing tenant demand and/or rent premiums.	First Stage Rating	Moderate	Moderate	Moderate	Moderate	Lower
	Below 2°C Scenario	n/a – scenario analysis not performed for this risk type				
	Above 4°C Scenario					
Opportunity – Market: By accelerating deployment of energy efficient measures, setting a Science Based Target (SBT) and better aligning with tenant preferences, the Company could gain a competitive advantage relative to other commercial landlords who are not as progressive on in their climate and sustainability related ambitions. This could enable increased tenant demand and rent premiums.	First Stage Rating	Moderate	Moderate	Moderate	Moderate	Lower
	Below 2°C Scenario	n/a – scenario analysis not performed for this risk type				
	Above 4°C Scenario					

Notes:

- a) The IPCC Atlas' RCP2.6 scenario and the NGFS's Net Zero 2050 scenario are assumed to represent "Below 2°C scenarios" for physical and transition risks respectively. Above 4°C scenarios were included voluntarily for prudent, comparative purposes, and are based on the IPCC Atlas' RCP8.5 scenario and the NGFS's Current Policies scenarios for physical and transition risks respectively
 - b) Impact represents assumed, inherent financial exposure and/or vulnerability of the Company
 - c) Likelihood represents the probability and/or frequency of occurrence
 - d) Overall Rating represents the product of Impact and Likelihood
 - e) First Stage ratings were based on initial internal discussions and comparison with peer organisations. The top three risk types with relatively higher ratings for impact and likelihood were then taken forward for more detailed scenario analysis in 2023. Please see Appendix A for further details on the methodology
- Subsidence was not selected to be included in scenario analysis this year, but it was identified as a climate risk alongside Flooding and Extreme Heat.

The three climate risks and/or opportunities judged to be the most material and assigned the highest overall risk or opportunity rating in the initial risk screening were evaluated using climate scenario analysis. The results of this analysis are shown in Table 2. The scope of this detailed analysis will be expanded in future years to evaluate more risk and opportunity types and to better quantify the financial impacts associated with these risks. Additional risks to be evaluated include energy costs and customer and tenant demand for lower carbon buildings, while opportunities include gaining a competitive advantage over peers by offering assets with higher energy efficiency ratings. Quantitative financial values at risk have not been published this year, as the corresponding costs of managing the risks require further research and greater access to and engagement with tenants. This research and engagement will be performed over the next 12 months. This is considered to be a transitional challenge as the Company's scenario analysis methodology is developed and embedded.

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning:

The Company's ability to evolve its commercial strategies to reflect the relevant climate-related risks and opportunities identified, will be fundamental to its continued success. This will include considering the risks and opportunities within specific activities, such as:

Acquisitions – The Investment Adviser has already adapted its asset sourcing criteria and approach to acquiring new assets.

- No asset with an EPC below C can be acquired unless a demonstrable EPC improvement plan is developed, the cost of which is reflected in the investment case for the asset acquisition.
- Consideration is given to the costs required to improve all assets to EPC B, based on current anticipated legislative changes.
- A sustainability review is completed for all assets.
- Opportunities for the installation of energy efficiency and renewables technology in support of the Net Zero transition are considered as part of the investment case.
- The credit standing of the Company's tenants is assessed in the context of their ability to manage climate-related risks and opportunities.

As the Investment Adviser continues to embed the SIMS it will also undertake additional due diligence including future flood risk assessments under alternative climate scenarios.

Asset Management – The Investment Adviser already maintains records relating to the delivery of sustainability initiatives across the Company's portfolio. Priority initiatives will be defined through this risk and opportunity identification process and combined with initiatives previously identified through to the Company's engagement with tenants, the acquisition due diligence process. Current example initiatives include feasibility assessments for installation of renewable energy solutions or electric charging points. The Investment Adviser's progress

against these plans is reviewed monthly with the Head of Sustainability and at asset management planning meetings with site managers.

Financial planning – The majority of the Company's assets are on long-term full repairing and insuring (FRI) leases. The maintenance and operation of the assets, including improvements necessary to achieve the required EPC improvements and the tenant's own Net Zero targets are therefore the responsibility of the tenant during the term of the lease. The Company's approach to financial planning is reflective of this and includes the following activities.

- Assessment of the costs of improving all assets to an EPC B. This is currently underway and has not yet been formally reflected in the Company's financial planning as it is likely that the asset improvement costs may be shared, at least in part, with its tenants, which requires further engagement.
- On-going monitoring of the likelihood of potential asset level risks. This may prompt a future change to asset values, provisions for increased insurance premiums and/or increased future rectification costs.
- Updates to the future budgeting process to incorporate the costs of appointing suitable advisers to support its risk assessment and reporting requirements.
- Updates to the future budgeting process to incorporate additional acquisitions costs to support the more detailed due diligence around climate-related risks and opportunities.

Access to Capital – Access to both debt and equity capital will increasingly require the Company to align with the financial community's requirements for robust climate risk and opportunity management and activities relating to Net Zero. The Company's sustainability strategy is designed to address this through:

- Regular engagement via the Investment Adviser with Shareholders to understand their requirements and to ensure timely responses to their own sustainability due diligence.
- Increased transparency over risks and opportunities and how they are being managed; which includes this TCFD report.
- Independent review and support in the preparation of climate-related disclosures by third-party advisers.
- Horizon scanning for sustainability initiatives to be implemented by relevant regulators.
- Ongoing dialogue with debt funders around their sustainability policies including relevant lending exclusions and funding incentives linked to green lending criteria.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario:

Each risk type with Moderate-Higher First Stage Ratings have been considered under two future scenarios. The future scenarios are the IPCC's Representative Concentration Pathway (RCP) 2.6 IPCC RCP8.5. The RCP2.6 scenario describes a scenario where global temperature increases remain below 2°C as a result of sharp decreases in emissions, whilst the RCP8.5 scenario describes a scenario commensurate with much higher emissions and subsequent temperature increases (around 4°C of warming). These scenarios have been included in analysis on the basis that they represent a low-emissions future scenario as well as a high-emissions future scenario.

Policy and Legal

The Company's current, key regulatory risk is associated with the MEES. MEES impacts the Company's portfolio of assets by requiring that each asset achieves minimum EPC ratings in order to be leased. It is acknowledged that within the RCP2.6 scenario, other policy and legal changes may be introduced in addition to, or in-place of the current MEES regulation. Therefore, this risk is intended to represent a broader suite of future climate Policy and Legal interventions. Current MEES readiness and EPC ratings serve as only one indicator for how vulnerable the Company is to the broader risk of climate-related Policy and Legal changes. Other vulnerability indicators include tenant lease term. The likelihood rating is based on the proxy of global carbon price data, on the rationale that in future scenarios with higher carbon prices, there is an increased likelihood of policies, such as MEES, that discourage emissions. In the RCP2.6 scenario, carbon prices increase more rapidly in the short-term than under the RCP8.5 scenario. Further details of this approach have been included in Appendix A.

Currently, the MEES regulation sees compliance as a landlord responsibility, is applied to all commercial leases (subject to some exemptions) and dictates that a property with an EPC lower than an 'E' cannot be let to new tenants or renewed with existing tenants. Revisions to the legislation are currently under consultation, but it is widely anticipated that landlords, including the Company, will be required to ensure their properties are rated at C or better by 2028 and B or better by 2030 to continue to lease the properties to tenants. Although, as aforementioned, these regulations are subject to exclusions.

The Company's leased supermarket assets in England currently achieve an average rating of C, with 8 of 50 (16%) rated at D or worse. The Company has undertaken an exercise to understand the capital expenditure required to bring the portfolio up to a lettable standard, should the legislation progress as is anticipated (i.e. B by 2030). Based on the Investment Adviser's initial analysis of the upgrade costs, these are not expected to be material for the Company. However, the Company is actively engaging with tenants to improve asset energy efficiency, where possible, since an asset with a lower rating could invite lower demand and rental income relative to an asset with a comparatively

higher rating. This is likely to be of greater concern to the Company over the medium term when the majority of its leases will be due for renewal. While the landlord is not able to make change without consent from the tenants, the landlord may register an exemption should the tenant not permit access and alterations to facilitate improvement.

As a result of this analysis, the Company will be evaluating the capital refurbishment plans on those sites with lower EPC ratings and ensuring that robust plans are in place to comply with, if not exceed, future MEES regulations. The financial impact of this risk will be assessed in future analysis.

Extreme Heat

Heat waves have increasingly impacted businesses in the UK and across Europe, with average impacts estimated as high as 0.5% of GDP in the last decade (www.nature.com/articles/). The heat wave in July 2022 saw UK temperatures rise above 40°C in some areas, impacting grocery store refrigeration capability, energy supply, supply chains and operations. Such events impact store profitability as they lead to increased energy consumption and associated costs to facilitate greater levels of cooling. Other impacts include stock loss and the cost of newer, more efficient refrigeration technology. If this were to disproportionately impact the Company's stores this could reduce their attractiveness to the operators, leading to impacts on rental income.

The results of the scenario analysis show that heat waves are generally a low risk for the Company's portfolio in the RCP2.6 scenario, with temperatures rising above 35°C fewer than one day per year on the short-, medium-, and long-term horizon. In the RCP8.5 scenario, this risk increases but remains low compared to global risk levels, with the number of days with temperatures of 35°C or greater increasing to over three days per year on average. Higher risk sites were mainly located in the South West, with the remaining located in the Midlands and the South East of England.

Informed by this analysis, the Company will engage with tenants of higher risk sites through site visits and engagement to better understand the operational impacts as a result of extreme heat, if and how it has affected asset operations at these locations in the past, and the extent to which it may influence a tenant's decision to renew its lease. Tenants are continuing to advance their own refrigeration and supply chain technology alongside the changing environment, with refrigeration upgrades at stores where the equipment is aged, reducing any stock loss associated with inadequate refrigeration.

Flooding

While there have been no instances of flooding across the Company's portfolio during its period of ownership, flooding has in some locations impacted other supermarket properties across the UK. This impact is expected to increase over time due to climate change (see WWF Water Risk Filter). Scenario analysis results for the Company's portfolio show flood risk to be moderate on the short and medium-term time horizons in the RCP8.5 scenario. This risk level is reflective of the higher risk level that the

UK faces relative to many other countries. The scenario analysis highlighted regional differences in risk levels within the Company's portfolio, with higher risk sites distributed equally across the South East, South West and Midlands, with Wales, the North East and North West comparatively lower risk.

These results will inform tenant engagement across the portfolio regarding flood risk, including enhanced communication for any higher risk sites identified. Furthermore, the Company has undertaken a closer review of past flood risk assessments to understand what adaptation measures are available and the capital investment required for such measures. Detailed financial impacts of this risk will be quantified over the next 12 months. The Investment Adviser will be reviewing its investment due diligence and exploring if more detailed analysis of acute and chronic flood risk impacts can be embedded into its investment strategy and decisions.

Risk Management

Describe the organisation's processes for identifying and assessing climate-related risks:

The Company's approach to risk assessment is as set out in the Our Principal Risks Section on pages 51 to 60.

The Board 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 and Risk Committee reviewing the effectiveness of the Board's risk management processes on its behalf. The ESG Committee is responsible under the delegated authority of the Board for the identification and monitoring of climate-related risks which are incorporated into the risk management process.

The ESG Committee will consider both physical risk factors such as flood risk as well as existing and future, emerging regulatory risks, including the implications of the introduction of MEES. Additionally, the Investment Adviser seeks to ensure climate-related risks are a standing item when engaging with the Company's tenants. Such engagement occurs multiple times per year and more frequently with larger site tenants. Where relevant to do so, it will formally incorporate any risks identified through that engagement channel into the Company's risk register over the next 12 months.

Materiality of climate-related risks and opportunities is determined based on their relative likelihood and potential financial impact. This is a process that has been reviewed and will continue to be enhanced over the course of 2023. At present, the Company's finance team have fed into a 'First Stage Rating', which has enabled the process of financial quantification to commence via the scenario analysis for selected risks. Once the risk quantification is complete, it will allow a more robust assessment of materiality to be made.

Describe the organisation's processes for managing climate-related risks:

The Investment Adviser undertakes an assessment of each asset against a set of sustainability criteria, incorporating metrics such as a flood risk assessment into each transaction review. The Company will not recommend the acquisition of assets with an Energy Performance Certificate (EPC) of D or below unless a deliverable EPC improvement plan is in place, prior to acquisition, to improve an asset to an EPC rating of C or better. The cost of delivering the EPC Improvement plan forms part of the acquisition investment case.

Materiality and prioritisation determinations are made through impact, likelihood, and risk scoring as a part of the risk register. Inherent and residual probabilities are assigned to each risk, from which a risk score is derived. Mitigating actions are described in detail in the risk register, laying out governance structure and processes in place aimed at mitigating each risk. Finally, actions taken to mitigate risks are tracked and recorded in the register.

Regulatory transition risks associated with the Company's portfolio are assessed and included in the risk register. EPC ratings and scoring are updated on a rolling basis when there are known sustainable improvements to assets, on expiry or following a change to EPC calculation methodology. These ratings, as the Company's responsibility, are undertaken by the Company's consultants when required. The Company strives to acquire assets with higher EPC ratings in order to mitigate exposure to this risk. This is reflected in the Investment Adviser's systems and controls.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management:

The Company's approach to risk assessment is as set out in the Our Principal Risks Section on pages 51 to 60.

The Company manages its risk related to emissions regulations by monitoring, measuring, and disclosing its Scope 1, 2, and 3 GHG emissions. Emissions mitigation strategies, including specific emissions targets, are being developed to reduce the Company's emissions and to reduce exposure to this regulatory risk.

Rising energy costs are a key transition risk, as tenants facing rising energy, or other, costs would put downward pressure on rent revenue. To manage this risk, the Investment Adviser prioritises energy efficiency and alternative energy sources, such as renewable energy, in communications with tenants. Energy efficiency and energy sources are tracked as part of the EPC assessments and this information is used to inform risk exposure related to rising energy costs.

The Company's identified physical climate risks include flooding, heat waves, and subsidence. Flood risk across the UK has historically been high and this risk is expected to increase, per the UK's *Third Climate Change Risk Assessment*. Should there be an incidence of flood, it is anticipated that a flooding report would be submitted by the

tenants to the Investment Adviser. These can be consulted to inform the Company's risk and investment strategy.

The Company's tenants maintain their own risk registers related to their site's facilities and property. As part of building on its risk management processes, the Investment Adviser plans to link the material site-specific risks of the Company's tenants to the Company's own risk register. In addition, as part of their Scope 3 emissions initiatives, the Investment Adviser plans to engage tenants through this process in order to enhance dialogue related to emissions reductions strategies.

Metrics and Targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets:

The Company uses EPC ratings of its properties to assess its progress towards meeting and exceeding the MEES. In line with anticipated legislation, the Company targets an EPC rating of C or better on all owned properties by 2028 and a rating of B or better by 2030.

The Company has defined nine metrics, including asset EPC ratings, against which it can measure progress towards its climate targets. These metrics, their associated targets, and progress to date are shown in Table 3.

Table 3 | Climate-related metrics and targets

	Target	Metric	Progress (as of June 2023) ⁵²
1	All supermarkets ⁵³ B or above by 2030	EPC rating	25 of 50 (50%)
2	All supermarkets ⁵³ C or above by 2028	EPC rating	42 of 50 (84%)
3	All ancillary units ⁵⁴ B or above by 2030	EPC rating	37 of 107 (35%)
4	All ancillary units ⁵⁴ C or above by 2028	EPC rating	99 of 107 (93%)
5	Five sites with Company-owned and managed car parks with electronic vehicle charging	Number of vehicle charging stations	0 of 5 (0%)
6	100% of Investment Adviser staff received training on climate risks and opportunities by end of 2023	Percentage of staff trained	In progress. Training for staff due in Q3 2023.
7	Reduction in the Company's Scope 1 & 2 GHG emissions	Absolute emissions	Science-based target (SBT) currently being developed. SBT to be submitted by the end of 2023.
8	Reduction in the Company's Scope 1 & 2 energy emissions (kgCO ₂ e/m ²)	Emissions intensity	Science-based target (SBT) currently being developed. SBT to be submitted by the end of 2023.
9	Reduction in tenant energy emissions (kgCO ₂ e/m ²)	Emissions intensity	Science-based target (SBT) currently being developed.

Metrics and targets are not currently linked to remuneration policies for the Investment Adviser or other personnel. This will be considered by the Company over the next 12 months.

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks:

The Company completed its first full Scope 1, 2 & 3 GHG inventory in 2023 based on FY 2023 (July 2022 – June 2023) data. The GHG inventory was calculated following the GHG Protocol Guidance and all relevant scopes and categories have been included. The Company defines its organisational boundary using the operational control approach. This means that consumption relating to areas where the Company has operational control, such as the communal areas of certain sites, are included in its direct Scope 1 & 2

⁵² 2023 is the first year of reporting the majority of metrics, so no prior year comparisons have been included in this table. The 2024 Annual report will allow for trend analysis and compare metrics disclosed in 2023

⁵³ Excludes three supermarkets and seven ancillary units located in Scotland, due to differing EPC calculation methodology used, making the sites non-comparable

⁵⁴ "Ancillary units" are units not used as a supermarket

emissions. Meanwhile, consumption relating to areas where the Company has limited operational control, such as sites controlled by its tenants, are included in its indirect Scope 3 emissions. Given that most of the Company's portfolio is let on full repairing and insuring leases, Scope 3 forms the largest proportion of its emissions at 99.7% of total Scope 1, 2 & 3 emissions, largely due to tenants' energy use.

FY 2023 represented a normal year of business for the Company. FY 2023 is the reporting period that will be used as the baseline year for the Company's Science-based Target (SBT), which is currently in development. A target is due to be submitted to the Science Based Targets initiative (SBTi) by the end of 2023.

Data Improvements

The FY 2023 GHG inventory improved upon the Company's initial measure of tenant emissions in 2022, which were estimated due to a lack of activity data. In 2023, the Investment Adviser worked with the Company's tenants to source activity data to improve the accuracy of the emissions. This resulted in the percentage of tenant emissions that were estimated reducing from 100% in 2022 to 86% in 2023. In 2023, the Company was also able to provide more data for its direct emissions, such as the energy use in the communal areas of its sites where the Company has operational control, and its operational Scope 3 emissions, which enabled the Company to compile a complete GHG inventory. The details of this GHG inventory are provided in Table 4 (see Appendix B for details of the methodology).

Table 4 | Greenhouse Gas Emissions

Scope and Category	Description	FY23 Emissions (tCO ₂ e)	FY22 Emissions (tCO ₂ e)
Scope 1	Fuels used in the communal areas of sites where the Company as the landlord is responsible for procuring the energy on behalf of the tenants.	10	N/A
Scope 2 (location-based)	Electricity use in the communal areas of sites where the Company as the landlord is responsible for procuring the energy on behalf of the tenants.	101	N/A
Scope 2 (market-based)		184	N/A
Total Scope 1 & 2 Emissions (market-based)		194	N/A
Scope 3 (1. Purchased Goods & Services)	The Company's purchased goods and services, including emissions relating to the Investment Adviser, Atrato Capital.	3,131	N/A
Scope 3 (2. Capital Goods)	Embodied emissions of newly built properties added to the portfolio in the reporting period.	463	N/A
Scope 3 (3. Fuel-and Energy-Related Activities)	Upstream emissions of energy use included in Scope 1 & 2.	61	N/A
Scope 3 (13. Downstream Leased Assets)	Scope 1 & 2 energy use of tenants, including fugitive emissions arising from refrigeration and air conditioning. Scope 1 & 2 energy use of communal areas where the Company is not responsible for procuring the energy (included in FY23 only).	77,273	87,715
Total Scope 3 Emissions		80,929	87,715
Total Scope 1, 2 & 3 Emissions (market-based)		81,123	87,715
Out-of-scope	Tenant emissions relating to biomass used to heat some tenant sites.	22	1,376

Table 5 | Energy Consumption

Energy Consumption	FY23	FY22
Scope 1 & 2 Company (landlord) Energy Consumption (electricity and fuels) (kWh)	574,047	N/A
Scope 3 Tenant Energy Consumption (electricity and fuels) (kWh)	186,704,059	224,504,601
Scope 3 Tenant Energy Consumption (refrigerant losses) (kg)	11,381	10,719

Table 6 | Intensity Metrics

Intensity Metric	FY23	FY22
Scope 1 & 2 Company (landlord) Emissions Intensity (kgCO ₂ e/m ²)	0.78	N/A
Scope 3 Tenant Energy Emissions Intensity (tCO ₂ e/m ²)	117.99	284
Scope 1 & 2 Company (landlord) Energy Intensity (kWh/m ²)	2.30	N/A
Scope 3 Tenant Energy Intensity (electricity and fuels) (kWh/m ²)	473.86	715

Appendix A: Methodology notes for scenario analysis

Overview

The scenario analysis described in this report is underpinned by a standard, recognised formula for risk:

Likelihood x Impact = Risk

This taxonomy is considered best practice and is informed by approaches taken in major financial risk, climate risk and transitional planning frameworks.

This approach goes beyond many generic climate models which focus more on the likelihood scores and ratings, by considering company specific inputs, as part of impact scoring.

First Stage ratings are based on the Investment Adviser's initial judgement. This considered previously performed risk assessment activities and secondary research (including peer review). More formally defined materiality thresholds will be defined in the next 12 months as a result of this inaugural 2023 scenario analysis process.

For scenario analysis ratings, the likelihood and impact are each scored on a scale of 1-5 and are multiplied together to give a risk score between 1-25 for each time horizon. An overall risk score (Overall Rating) is calculated for all scenarios and time periods. Moderate-higher risk scores rate between 15-20, whilst higher risk scores rate between 21 and 25. The Overall Rating and Impact gradings in Table 2 are based on the average across all sites within the portfolio. The Likelihood grading in Table 2 is based on the average across all time horizons under a given scenario and risk type. Consideration is still made for moderate-higher and

higher risk sites that are outliers relative to the average value as explored in the accompanying text. Inherent risks and the Company response will continue to be refined and understood following this assessment.

A quantitative, value at risk or value of opportunity figure can be subsequently assigned to the overall risk score in GBP (£), however this has not been undertaken for the FY 2023 reporting. The corresponding costs of managing the risks require further research and greater access to and engagement with tenants. To publish only the value of inherent risks without the associated costs of managing the risks, in the reasonable opinion of the Company, was felt to present a reporting risk of misleading users of this information, at this point in time. Therefore, research and engagement will be performed over the next 12 months to progress this area of subsequent analysis. This is considered to be a transitional challenge as the Company's scenario analysis methodology is developed and embedded.

Likelihood

A 1-5 likelihood score is assigned to each location for each risk type. This score represents the probability of the risk occurring in a given location and is based on generic climate scenario data. Here likelihood scores are calculated based on the IPCC Atlas and Network for Greening the Financial System (NGFS) transition variables available in the NGFS Scenarios Database. A specific 'sub-data set' is assigned to each risk type to act as a proxy for the likelihood of that risk occurring. The 'raw unit' values are converted to a continuous score between 1-5 as described below.

Risk Type	IPCC or NGFS sub-data set	Raw Unit	Justification
Policy and Legal	Carbon Price (NGFS)	US\$/tCO ₂	The NGFS presents the shadow carbon price as a proxy for government policy intensity. In reality, governments are pursuing a range of fiscal and regulatory policies which have varying costs and benefits. Carbon price is considered a good proxy to emerging regulation and is sensitive to the country's level of ambition to mitigate climate change, timing of policy implementation and distribution of policy measures across sectors. Scores are relative to policy across other countries internationally.
Extreme heat	CMIP6 – Days above 35°C (IPCC Atlas)	°C	Days above 35°C are judged to be extreme. While thresholds for Met Office warnings and 'heat wave' definitions are variable across the UK, over 35 degrees Celsius appears to meet the historical thresholds required for a Met Office 'heat wave' classification and amber or red weather warning being issued. Sites are scored relative to all other UK locations, with a 5 representing the highest 20% of frequencies (over 3.2 or more days per year), and a 1 representing the lowest 20% of frequencies (fewer than 0.8 days per year).
Flooding	WWF's Water Risk Filter	Bespoke WWF risk score number (1-6.6)	This database specifically considers the physical flood risk indicator within the tool. Scores are relative to all countries internationally. 'Optimistic case' scores selected for RCP 2.6, 'Pessimistic case' for RCP 8.5 scenario.

Impact

Impact assesses the Company's current sensitivity or vulnerability to specific risks and opportunities, based on current or historic company insight. Similar to likelihood, a 1-5 score is assigned to each indicator, by a relevant location (e.g. activity, customer, supplier etc.), for each Risk Type. There are a number of considerations here.

- **Impact Pathway:** An 'impact pathway' is defined for each risk type. An impact pathway is a financial statement line item (FSLI) that we would expect to be materially affected by a risk type e.g. revenue, cost of sales, operating costs, fixed assets, cash etc. A risk type may have multiple impact pathways; however, the scope of this assessment considers only one impact pathway. The impact pathway that is judged to be most significantly impacted is selected. The impact pathways in focus were selected following consultation with the Investment Adviser's finance team.
- **Impact indicator:** Multiple impact indicators can combine to give an overall impact score and can be a combination of the Company's own data points and secondary sources.

There are no limits on the nature and extent of indicators used; we have used one per risk type for the current year reporting, however two, three or 10 could be used as the risk screening evolves.

- **Weighting:** Each indicator used is combined to give an overall impact score. The 'weight' each impact indicator carries is judgmental. At present, because only one indicator has been used per risk, they all carry a weighting of 100%, but should more indicators be added over time, the Company will reflect on the weighting these carry and can adjust these within the Excel model as they see fit.
- **Financial materiality alignment:** Where possible; we have aligned the upper impact score (a '5 rating') with a financially material impact.

The below table details the impact scores and justifications for the Company's impact ratings:

Risk Type	Impact Indicator	Impact banding	Raw unit	Justification
Policy and Legal	EPC Certificate ratings per site – 100% weighting	5	EPC E	<p>As of June 2023, it is anticipated that Minimum Energy Efficiency Standards (MEES) will require asset EPC ratings to be raised to C by 2028 and to B by 2030. This means that the landlord of any properties not meeting these requirements could incur a fine (exemptions do apply – for example where there is a tenant in situ who will not allow the landlord to make changes to improve building energy performance). EPC ratings are an indicator of energy efficiency, so as the UK transitions to Net Zero, higher energy intensity will indicate a greater risk exposure.</p> <p>The landlord of any asset currently at a E or below is more vulnerable to incurring fines as a result of current regulation, as they are not compliant. Given the direction of change, D or below would also be most vulnerable to any other future regulation changes that may arise. Moderate-Higher and Higher impact (bandings 4 & 5 respectively) assets may also harm the Company's reputation and reduce the marketability of the individual asset.</p> <p>While it is anticipated that an EPC C will not be judged as compliant in 2030, the Company has judged this impact remains as a moderate risk due to the following factors: there is felt to be sufficient time to upgrade to EPC B by 2030 and plans are already underway to achieve this, many of the Company's tenants are on long-term leases, and so are less able and/or likely to terminate or not renew lease if there were any MEES compliance issues. In addition, the majority of the grocery tenants have clear plans they are actioning in order to improve the energy performance of their store as this leads to cost savings, as well as contributing towards their own sustainability and Net Zero targets.</p>
		4	EPC D	
		3	EPC C	
		2	EPC B	
		1	EPC A	
Extreme heat	Energy Intensity per site (kWh/m ² per year) – 100% weighting	5	859-706	<p>This is a more specific indicator of energy use and is not related to regulation like in the case of EPCs. In instances of extreme heat, it is assumed that properties will consume more energy for cooling. Therefore, less efficient or more energy intense assets are deemed more vulnerable as they are likely already incurring higher than average energy costs. The higher energy consumption will also be putting pressure on the specific tenant's Net Zero targets and could indicate assets that are more vulnerable to that tenant not renewing / applying pressure for the Company to improve these buildings.</p> <p>The highest impact banding (5) represents the highest energy intensity 20% of the range. The range is (859-92 = 767kWh/m²), therefore anything over 705kWh/m² is assigned a 5.</p> <p>This scores each site relative to each other – we cannot yet validate whether the increase in cooling requirements at a more energy intense site is material for the tenant; however, this will be explored in the future years SA.</p>
		4	705-552	
		3	551-399	
		2	398-245	
		1	244-92	
Flooding	Revenue per site – 100% weighting	5	>5% (>£4.4m)	<p>Annual rent collected (revenue) was used as an indicator for impact. The rationale being that the greater the rent, the more material the impact if a site was damaged by a flood, which resulted in a tenant defaulting/deferring on lease payment.</p> <p>Bandings are based on a % of total supermarket revenue where an individual site generating over 5% of revenue is deemed financially material. Bandings are not linear but logarithmic (50% of the banding above), in order to align with the approach commonly applied in financial auditing.</p>
		4	>2.5% (>£2.2m)	
		3	>1.25% (>£1.1m)	
		2	>0.6% (>£0.5m)	
		1	<0.6% (<£0.5m)	

Limitations of this analysis

- EPCs are only one means of assessing the overall energy efficiency of a site and it may be the case that dynamic standards are introduced in the near future.
- Two sites (Sainsbury's Denton & Sainsbury's Kettering) were missing from the data and were assigned an impact value of 3 by default.
- Non-food assets were not screened in this analysis due to limited data availability but will look to be included in next year's reporting following a data remediation exercise.

Appendix B: Methodology notes for greenhouse gas inventory**Methodology and Assumptions**

The 2022 Conversion Factors published by the UK Department for Energy Security and Net Zero (DESNZ) and Department for Business, Energy, and Industrial Strategy (BEIS) was the main source used for emission factors. All relevant categories have been included and any exclusions are described below.

Scope 1 & 2

For electricity and natural gas, some actual consumption data was provided. Where there were gaps, estimations were made using previous year data or floor area intensities (based on similar sites within the portfolio) as proxies. For fuel oil, spend was used as a proxy due to a lack of activity data.

Scope 3 (1. Purchased Goods & Services)

This category was estimated using spend as a proxy and applying Department for Environment, Food & Rural Affairs (DEFRA) input-output factors (kgCO₂/GBP) to expenditure.

Scope 3 (2. Capital Goods)

There were two sites where development was completed in the reporting period. For these sites, embodied carbon emissions were estimated by applying a benchmark intensity (kgCO₂e/m²) to the floor area.

Scope 3 (13. Downstream Leased Assets)

The majority of emissions relate to tenant energy use. Some tenants provided actual consumption data for electricity and heating. Where there were gaps, estimations were made using benchmark intensity data based on floor area. Refrigerants were estimated for all sites. One small non-food site was excluded from the calculations due to a lack of activity data or floor area required for estimations.

A smaller amount of emissions arise from the communal areas of sites where the Company owns the land but is not responsible for paying for the energy. These emissions were estimated using the floor area intensities of similar sites with actual data.

The Board 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.

The Board aims to operate in a low-risk environment, focusing substantially 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 its 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, 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.

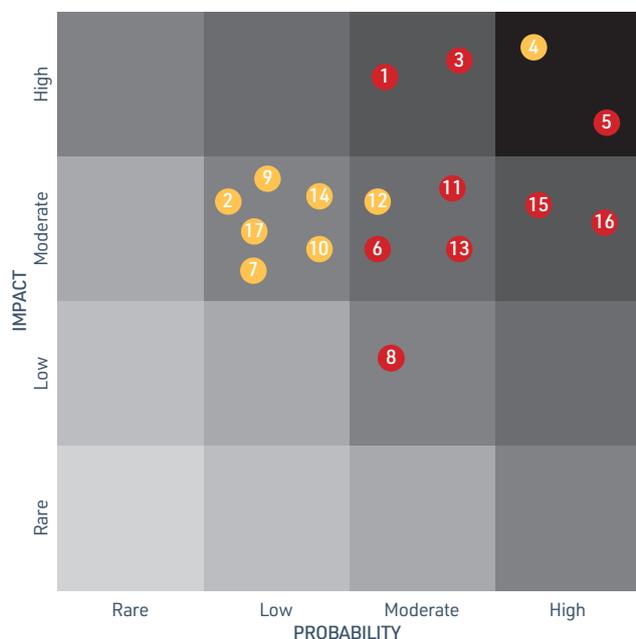
The risk management process includes the Board’s identification, consideration and assessment of those emerging risks which may impact the Group.

Emerging risks are specifically covered in the risk framework, with assessments made both during the regular quarterly risk review and as potentially significant risks arise. The quarterly assessment includes input from the Investment Adviser and review of information by the AIFM, prior to consideration by the Audit Committee.

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.

The following risks have been added in the current year and are discussed in detail below:

- The default of one of the supermarket operators would create an excess supply of supermarket real estate.
- Changes in regulatory policy could lead to our assets becoming unlettable.



- ↑ The Board considers these risks have increased since last year**

 - 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.
 - The default of one or more of our lessees would reduce revenue and may affect our ability to pay dividends.
 - Our use of floating rate debt will expose the business to underlying interest rate movements.
 - A lack of debt funding at appropriate rates may restrict our ability to grow.
 - There can be no guarantee that we will achieve our investment objectives.
 - The assets within the Group’s portfolio that are less energy efficient may be exposed to downward pressure on valuation or increased pressure to invest in the improvement of individual assets.
 - Volatile changes in the weather systems may deem the Group’s properties no longer viable to tenants.
 - 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.
 - Inflationary pressures on the valuation of the portfolio.
- ↔ The Board considers these risks to be broadly unchanged since last year**

 - Our ability to source assets may be affected by competition for investment properties in the supermarket sector.
 - The default of one of the supermarket operators would create an excess supply of supermarket real estate, thereby putting pressure on ERVs leading to a breach in our banking covenants.
 - We must be able to operate within our banking covenants.
 - We are reliant on the continuance of the Investment Adviser.
 - We operate as a UK REIT and have a tax-efficient corporate structure, with advantageous consequences for UK shareholders.
 - Changes in regulatory policy could lead to our assets becoming unlettable.
 - The rise in attempted cyber crime and more recently cyber risks arising from recent geopolitical tensions has increased the risk for listed companies being targets for market manipulation and/or insider trading.
 - Impact of war in Ukraine.
- ↓ The Board considers these risks have decreased since last year**

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
Moderate (from Low)	<p>High (from Moderate)</p> <p>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.</p>	<p>Our Portfolio is 99.6% let (100% of supermarket assets are let) with long weighted average unexpired lease terms and an institutional-grade tenant base.</p> <p>All the leases contain upward-only rent reviews, 80% are inflation-linked, 18% are open market value and the rest contain fixed uplifts. These factors help maintain our asset values.</p> <p>We manage our activities to operate within our banking covenants and constantly monitor our covenant headroom on loan to value and interest cover. We are reviewing alternative financing arrangements to lessen any dependence on the banking sector.</p>

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

Probability:	Impact:	Mitigation
Low	<p>Moderate</p> <p>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.</p> <p>The supermarket investment market continues to be considered a safe asset class for investors seeking long-term secure cash flows which is maintaining 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.</p>	<p>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.</p> <p>The Company has acquired assets which are anchored by supermarket properties but which also have ancillary retail on site, and these acquisitions allow the Company to access quality supermarket assets whilst providing additional asset management opportunities.</p> <p>We are not exclusively reliant on acquisitions to grow the Portfolio. Our leases contain upward-only rent review clauses, which mean we can generate additional income and value from the current Portfolio. We also have the potential to add value through active asset management and we are actively exploring opportunities for all our sites.</p> <p>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.</p>

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

Probability:	Impact:	Mitigation
Moderate (from 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.	<p>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.</p> <p>As at 30 June 2023, 76% of SUPR's income is from assets let to Sainsbury's and Tesco who are deemed investment grade credit quality, with 2% of rental exposure to Asda and 1% for Aldi. The portfolio however continues to be geographically diversified with no individual tenant operating within more than 10-15 minutes of one of the Group's assets in any single geographical area.</p> <p>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.</p> <p>Our investment strategy is to acquire strong trading grocery locations, which in many cases have been supermarkets for between 30 and 50 years.</p> <p>Our investment underwriting targets strong tenants with 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.</p>

4. The default of one of the supermarket operators would create an excess supply of supermarket real estate, thereby putting pressure on ERVs leading to a breach in our banking covenants

Probability:	Impact:	Mitigation
High	High 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	<p>The failure of a single operator in any given town would place strain on the immediate surrounding retailers as demand previously supplied by the failed operator would be taken up by existing retailers.</p> <p>The potential demise of a major supermarket operator would therefore result in the real estate being potentially acquired by another operator and would continue to be used as a supermarket.</p> <p>Our investment strategy is to acquire strong trading grocery locations, which in many cases have been supermarkets for between 30 and 50 years.</p> <p>Our investment underwriting targets 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.</p>

FINANCIAL RISK

5. Our use of floating rate debt will expose the business to underlying interest rate movements as interest rates continue to rise

Probability:	Impact:	Mitigation
High (from Moderate)	High (from Moderate) Interest on the majority of our debt facilities is payable based on a margin over SONIA. Any adverse movements in SONIA could significantly impair our profitability and ability to pay dividends to shareholders.	<p>We have entered into interest rate swaps to partially mitigate our direct exposure to movements in SONIA, by capping our exposure to SONIA increases.</p> <p>We aim to hedge prudently our SONIA 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.</p> <p>We selectively utilise hedging instruments with a view to keeping the overall exposure at an acceptable level.</p> <p>As at the year end 100% of SUPR's drawn debt is fixed.</p>

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

Probability:	Impact:	Mitigation
Moderate (from Low)	Moderate (from Low) Impacts of both macroeconomic events and banks' exposure to offices in the US has resulted in many lenders reducing their exposure to real estate globally. Without sufficient debt funding we may be unable to pursue suitable investment opportunities in line with our investment objectives.	<p>The Board reviews the Group's financing arrangements and considers options for refinancing well ahead of maturity.</p> <p>The Board keeps our liquidity and gearing levels under review. We have recently broadened our capital structure by starting to transition our balance sheet to an unsecured structure, reducing our reliance on a single source of funding.</p> <p>Supermarket property continues to remain 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 continue to see appetite from both new and existing lenders to provide financing to SUPR which has been demonstrated by the new facilities entered during and after the year end.</p> <p>The Company has had a cash liquidity event from the sale of the SRP which has provided increased liquidity. We believe that this indicates that the Company is not reliant in the short to medium-term on bank funding, however note the recent refinancing events after the year end shows appetite from banks to lend to SUPR.</p>

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

Probability:	Impact:	Mitigation
Low	Moderate The Group's borrowing facilities contain certain financial covenants relating to Loan to Value ratio and Interest Cover ratio, a breach of which would lead to a default on the loan. The Group must continue to operate within these financial covenants to avoid default.	<p>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.</p> <p>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.</p>

CORPORATE RISK

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

Probability:	Impact:	Mitigation
Moderate (from Low)	<p>Low</p> <p>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.</p> <p>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 distributable reserves.</p>	<p>The Board uses its expertise and experience to set our investment strategy and it 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.</p> <p>Significant changes to the Portfolio, both acquisitions and disposals, require specific Board approval.</p> <p>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.</p> <p>Rental income from our current Portfolio, coupled with our hedging policy, supports the current dividend target. Movement in capital value is subject to market yield movements and the ability of the Investment Adviser to execute asset management strategies.</p>

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

Probability:	Impact:	Mitigation
Low	<p>Moderate</p> <p>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.</p>	<p>A new Investment Advisory Agreement was entered into on 14 July 2021; this revised agreement provides that unless there is a default, either party may terminate by giving not less than two years, written notice. This provides additional certainty for the Company. The Board keeps the performance of the Investment Adviser under continual review and undertakes a formal review at least annually.</p> <p>The interests of the Company and the Investment Adviser are aligned due to (a) key staff of the Investment Adviser having 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.</p> <p>In addition, the Board has set up a management engagement committee to assess the performance of the Investment Adviser and ensure we maintain a positive working relationship.</p> <p>The AIFM receives and reviews regular reporting from the Investment Adviser and reports to the Board on the Investment Adviser's performance. The AIFM also reviews and makes recommendations to the Board on any investments or significant asset management initiatives proposed by the Investment Adviser.</p>

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	<p>Moderate</p> <p>If the Company fails to remain a REIT for UK tax purposes, our profits and gains will be subject to UK corporation tax.</p>	<p>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.</p>

CLIMATE RISKS

11. The assets within the Group's portfolio that are less energy efficient may be exposed to downward pressure on valuation or increased pressure to invest in the improvement of individual assets

Probability:	Impact:	Mitigation
Moderate (from Low)	<p>Moderate As investors increase their focus on climate risk, there is likely to become a larger pool of capital looking to invest in energy efficient assets.</p> <p>Although this represents an opportunity for those best-in-class assets to achieve a 'green premium', there is likely to be an impact on yield demanded, and therefore valuation on assets within the portfolio which are less energy efficient.</p> <p>Given the unexpired lease terms across the portfolio, this trend may impact the residual values implicit in valuations and reduce tenant demand for these properties.</p>	<p>An ESG committee has been created to develop a road map for an energy efficient property portfolio including an appropriate policy for minimum energy performance across the Group's assets.</p> <p>Many of the supermarket operators have published targets to achieve net zero and are actively upgrading stores to make them more energy efficient.</p> <p>The Company continues to work with its tenants to help them meet this target and has entered into a framework agreement with Atrato Onsite Energy to install rooftop solar panels across SUPR's portfolio.</p> <p>We are conducting ongoing work to update our physical risk assessments on an annual basis and integrate the outcomes of the analysis into our asset and property management activities.</p> <p>Further detail has been included within the TCFD report on pages 35 to 50.</p>

12. Changes in regulatory policy could lead to our assets becoming unlettable

Probability:	Impact:	Mitigation
Moderate	<p>Moderate Changes in regulations (currently represented by Minimum Energy Efficiency Standards (MEES)) could lead to the possibility of our assets becoming unlettable. Any properties not compliant with MEES could attract reduced tenant demand, reduced rental income and/or be subject to fines.</p>	<p>The ESG committee stays informed about changes in legislation by working closely with the Investment Adviser and seeks input from specialist ESG experts where necessary.</p> <p>Proposed updates to MEES, together with updates on businesses to develop Net Zero transition plans are being closely monitored.</p> <p>Further detail has been included within the TCFD report on pages 35 to 50.</p>

13. Volatile changes in the weather systems may deem the Group's properties no longer viable to tenants

Probability:	Impact:	Mitigation
Moderate (from Low)	<p>Moderate Given the impact of global warming, there is likely to be an increased risk of floods and natural disasters which could result in physical damage to the Group's properties.</p> <p>Rising temperatures may also result in increased energy demand required for cooling, reducing tenant demand for less energy efficient buildings.</p>	<p>The Company obtains environmental surveys on all acquisitions, which address the short-term risk of climate-related damage to group properties.</p> <p>A specialist ESG consultant was engaged during the year to understand the impacts of climate change on the portfolio, using scenario analysis. Work is ongoing in this area, where further detail has been included within the TCFD report on pages 35 to 50.</p> <p>The Investment Adviser's asset management team continue to monitor the changing physical risk as it develops through regular site visits to the Group's assets.</p>

CYBER RISKS

14. The rise in attempted cyber crime and more recently cyber risks arising from recent geopolitical tensions has increased the risk for listed companies being targets for market manipulation and/or insider trading

Probability:	Impact:	Mitigation
Low	<p>Moderate</p> <p>Given the increase in remote and hybrid working, this greater reliance on technology has resulted in organisations becoming more vulnerable to cyber threats and online hacking.</p> <p>As an externally managed REIT, all services are contracted with external third-party service providers. A cyber attack on any of the Group's third-party service providers could lead to wider business disruption or loss of market sensitive information.</p>	<p>The Company's main service provider is the Investment Adviser. The Investment adviser's Cyber Security Policy reflects the NCSC's 10 steps to Cyber Security guidance. Robust network security measures have been implemented, including real time system oversight, combined with offsite data back-up and access controls based on the principle of least privilege. The Investment Adviser frequently reviews its cyber security arrangements, alongside business continuity plans to address a major disruption to the organisation. Members of the Investment Adviser team receive regular training on cyber security issues.</p> <p>When onboarding other service providers, the Investment Adviser undertakes detailed background checks including a review of data security when relevant. Additional due diligence is undertaken where access to the Investment Adviser's systems is required, with enhanced controls implemented, again based on the principle of least privilege.</p>

MARKET PRICE RISK

15. 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
High (from Moderate)	<p>Moderate</p> <p>The Company's ordinary shares have this year traded in a wider range to the price at which they were issued than they have in previous years. This is largely a function of supply and demand for the ordinary shares in the market and cannot therefore be controlled by the Board. The Company's move to the premium list of the London Stock Exchange increased liquidity in shares, thereby reducing the risk that shareholders will not be able to sell their shares at all.</p>	<p>The Company may seek to address any significant discount to NTA at which its ordinary shares may be trading by purchasing its own ordinary shares in the market on an ad hoc basis. The Directors have the authority to make market purchases of up to 14.99 per cent of the ordinary shares in issue as at IPO; being 1.20% of the total shares in issue as at 30 June 2023.</p> <p>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.</p> <p>Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board.</p> <p>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. The recent sale proceeds from the SRP investment has optionality to be used for this purpose.</p>

MACROECONOMIC RISKS

16. Inflationary pressures on the valuation of the portfolio

Probability:	Impact:	Mitigation
High (from low)	<p>Moderate</p> <p>The UK is experiencing historic price rises with the highest inflation rate in 40 years, and a slowing economy. The Bank of England has responded by successive interest rate increases which could lead to a sharp decline in economic activity, stock markets and possibly stagflation. A recessionary environment could impact real estate valuations.</p> <p>Continued high inflation may cause rents to exceed market levels and result in the softening of valuation yields. Where leases have capped rental uplifts, high inflation may cause rent reviews to cap out at maximum values, causing rental uplifts to fall behind inflation.</p>	<p>Inflation is monitored closely by the Investment Adviser. The Group's portfolio rent reviews include a mixture of fixed, upward only capped as well as open market rent reviews, to hedge against a variety of inflationary outcomes.</p>

17. Impact of the war in Ukraine

Probability:	Impact:	Mitigation
Low	<p>Moderate</p> <p>Russia's invasion of the Ukraine in February 2022 has led to a surge in global energy and food prices. The extent and impact of military action, resulting sanctions and further market disruptions is difficult to predict which increases the uncertainty, and challenges of tenant operators as well as consumer confidence and financial markets.</p> <p>This could lead to a recession should the conflict move towards a global one.</p>	<p>Supermarket operators have historically been able to successfully pass on inflationary increases through increasing price increases to the end consumer.</p> <p>Whilst sales volumes may fall in a recessionary environment, the nature of food means that demand is relatively inelastic, where the end consumer may decide to substitute luxury brands for supermarket own-branded products.</p> <p>Our tenants have strong balance sheets with robust and diversified supply chains. The tenants are therefore well positioned to deal with any disruption that may occur. As a result, we believe any adverse impact for the Group would be minimal.</p> <p>The Group invests solely in UK properties.</p>

Going concern

In light of the current macroeconomic backdrop, 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 2023. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

Liquidity

At 30 June 2023, the Group generated net cash flow from operating activities of £84.3 million, held cash of £37.5 million and undrawn committed facilities totalling £189.9 million with no capital commitments or contingent liabilities.

From the sale of its interest in the Sainsburys Reversion Portfolio (SRP), the Group received proceeds of £135.1 million post year end. £97.1 million of this was used for working capital and debt repayment and £38.0 million towards acquiring two stores (including acquisition costs). As at the date of signing the annual report the Gross LTV of the group was 34.0%. The remainder of the receivable of £1.5 million is conditional on the sale of the remaining store in the SRP.

After the year end, the Group also reduced its debt capacity from £862.1 million to £689.5 million (see Note 20 for more information), leaving undrawn committed facilities of over £100 million available.

The Directors are of the belief that the Group continues to be well funded during the going concern period with no concerns over its liquidity.

Refinancing events

At the date of signing the financial statements, the Deka facility falls due for repayment during the going concern period (August 2024). It is intended that the facility will be refinanced prior to maturity, or if required, it will be paid down in full using the Group's available undrawn committed facilities of over £100 million. All lenders have been supportive during the year and have expressed commitment to the long-term relationship they wish to build with the Company.

Covenants

The Group's debt facilities include covenants in respect of LTV and interest cover, both projected and historic. All debt facilities, except for the unsecured facilities, are ring-fenced with each specific lender.

The Directors have evaluated a number of scenarios as part of the Group's going concern assessment and considered the impact of these scenarios on the Group's continued compliance with secured debt covenants. The key assumptions that have been sensitised within these scenarios are falls in rental income and increases in administrative cost inflation.

As at the date of this Annual Report, 100% of contractual rent for the period has been collected. The Group benefits from a secure income stream from its property assets that are let to tenants with excellent covenant strength under long leases that are subject to upward only rent reviews.

The list of scenarios are below and are all on top of the base case model which includes prudent assumptions on valuations and cost inflation. No sensitivity for movements in interest rates have been modelled as the Group has fixed its interest cost through the use of interest rate derivatives throughout the going concern assessment period.

Scenario	Rental Income	Costs
Base case scenario (Scenario 1)	100% contractual rent received when due and rent reviews based on forward looking inflation curve, capped at the contractual rate of the individual leases.	Investment adviser fee based on terms of the signed agreement (percentage of NAV as per note 27), other costs 0.35% of NAV.
Scenario 2	Rental income to fall by 25%	Costs expected to remain the same as the base case.
Scenario 3	Rental Income expected to remain the same as the base case.	10% increases on base case costs to all administrative expenses

The Group continues to maintain covenant compliance for its LTV and ICR thresholds throughout the going concern assessment period under each of the scenarios modelled. One of the secured facilities in the Group has a debt yield covenant, which is calculated as the passing rent divided by the loan balance for the properties secured against the lender. The debt yield covenant only would be breached for this facility if rental income is reduced by 6% during the going concern assessment period. The Board considers this scenario highly unlikely given the underlying covenant strength of the tenants. Furthermore, there are remedies available at the Group's disposal which includes reducing a portion of the outstanding debt from available undrawn facilities or providing additional security over properties that are currently unencumbered. The lowest amount of ICR headroom experienced in the worst-case stress scenarios was 22%. Based on the latest bank commissioned valuations, property values would have to fall by more than 21% before LTV covenants are breached, and 10% against 30 June 2023 Company valuations. Similarly, the strictest interest cover covenant within each of the ring-fenced banking groups is 225%, where the portfolio is forecast to have an average interest cover ratio of 572% during the going concern period.

Having reviewed and considered three modelled scenarios, the Directors consider that the Group has adequate resources in place for at least 12 months from the date of these results and have therefore adopted the going concern basis of accounting in preparing the Annual Report.

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 2028. 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 51 to 60 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.

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.

Viability Statement

The Board has assessed the prospects of the Group over the five years from the balance sheet date to 30 June 2028, 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 most 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
Borrowing risk	The Group continues to comply with all relevant loan covenants. The Group is able to refinance all debt falling due within the viability assessment period on acceptable terms.
Interest Rate risk	The increase in variable interest rates are managed by reduction of variable debt from cash inflows and utilising interest rate derivatives to limit the exposure to variable debt.
Liquidity risk	The Group continues to generate sufficient cash to cover its costs while retaining the ability to make distributions.
Tenant risk	Tenants (or guarantors where relevant) comply with their rental obligations over the term of their leases and no key tenant suffers an insolvency event over the term of the review.

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

Disclosures in relation to the Company's business model and strategy have been included within the Investment Adviser's Interview on pages 15 to 22. 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 The UK Grocery Market on pages 26 to 28. Disclosures in relation to environmental and social issues have been included within the TCFD Report on pages 35 to 50. Employee diversity disclosures have not been included as the Directors do not consider these to be relevant to the Company.

Key Performance Indicators (KPIs)

The KPIs and EPRA performance measures used by the Group in assessing its strategic progress have been included on pages 29 to 30.

Nick Hewson

Chair

19 September 2023

The Directors consider that in conducting the business of the Company over the course of the year ended 30 June 2023, they have acted to promote the long-term success of the Company for the benefit of shareholders, whilst having regard to the matters set out in section 172(1) (a-f) of the Companies Act 2006 (the “Act”).

Details of our key stakeholders and how the Board engages with them can be found on pages 62 to 64. Further details of the Board activities and principal decisions are set out on pages 74 to 75 providing insight into how the Board makes decisions and their link to strategy.

Other disclosures relating to our consideration of the matters set out in s172(1)(a-f) of the Act have been noted as follows:

s.172 Factor	Our approach	Relevant disclosures
A The likely consequences of any decision in the long-term	The Board has regard to its wider obligations under Section 172 of the Act. As such 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 longer-term success of the business. Any recommendation is 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.	Key decisions of the Board during the year on page 75. Our Key Stakeholder Relationships on pages 62 to 64. Board Activities during the year on page 74.
B The interests of the Company's employees	The Group does not have any employees as a result of its external management structure. The Board's main working relationship is with the Investment Adviser. Consequently, 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 do so.	Our Key Stakeholder Relationships on pages 62 to 64. Our Culture on page 71.
C The need to foster the Company's business relationships with suppliers, customers and others	The Company's key service providers and customers include 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.	Our Key Stakeholder Relationships on pages 62 to 64.
D The impact of the Company's operations on the community and the environment	As an owner of assets located in communities across the UK, we aim to ensure that our buildings and their surroundings provide safe and comfortable environments for all users. The Board and the Investment Adviser have committed to limiting the impact of the business on the environment where possible and engage with tenants to seek to improve the ESG credentials of the properties owned by the Company.	Our Key Stakeholder Relationships on pages 62 to 64. Details of the ESG policy and strategy are included on pages 35 to 50. The Board's approach to sustainability is also explained in the Company's first standalone sustainability report available on the Company website.
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 Investment Adviser and Investment Advisory Team. The risk of falling short of the high standards expected and thereby risking business reputation is included in the Audit and Risk Committee's review of the Company's risk register, which is conducted at least annually.	Chair's Letter on Corporate Governance on page 65. Our Principal Risks and Uncertainties on pages 51 to 60. Our Culture on page 71.
F The need to act fairly as between members of the Company	The Board recognises the importance of treating all members fairly and oversees investor relations initiatives to ensure that views and opinions of shareholders can be considered when setting strategy.	Chair's Letter on Corporate Governance on page 65. Our Key Stakeholder Relationships on pages 62 to 64.

Building strong relationships with our key stakeholders is a critical element to our success. The Board recognises that the foundation underpinning effective corporate governance is determined on how it aligns the strategic decisions of the Company with the views of its various stakeholders. We aim to build long lasting relationships with all of our key stakeholders based on professionalism and integrity.

The Board regularly consults with the Investment Adviser, who in turn manage and foster the relationships with our tenants, key partners and advisers.

Stakeholder	Shareholders
Why is it important to engage?	The Company's shareholders are an incredibly important stakeholder group and the ultimate owners of the business. In order to deliver our strategy, it is vital that shareholders continue to understand and support the Company's performance and investment thesis, as well as the wider market in which we operate. The Board aims to be open with shareholders and available to them, subject to compliance with relevant securities and laws.
How did we engage?	The way in which the Board engages with the Company's shareholders is detailed on this page in the Corporate Governance Report. The Board oversees the Investment Adviser's formal investor relations programme, which is designed to promote 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 or other significant announcements. Our website contains comprehensive information about our business, regulatory news and press releases alongside information about our approach to ESG issues. Additionally, recordings of our interim and annual results presentations are available to watch on the website.
What were the key topics discussed?	The key topics of discussion included: the Company's financial performance, macroeconomic themes, the sale of the Sainsbury's Reversion Portfolio interest, refinancing and the Company's ESG efforts.
What was the feedback obtained and/or the outcome of the engagement?	Feedback from investor meetings has played an important role in shaping Company disclosures at Interim Results, Full Year results and other regulatory disclosures. Increasing investor interest in sustainability has informed the publication of the Company's first standalone sustainability report available on the Company website. The use of virtual meetings has improved accessibility to our international and regional based shareholders. We anticipate that online engagement will continue to play an important part in engagement with our shareholders in addition to helping to reduce associated carbon emissions in line with our sustainability strategy. Further details on our sustainability strategy can be found on pages 35 to 50 and in the Company's first standalone sustainability report available on the Company website.

Stakeholder	Lenders
Why is it important to engage?	We have strong working relationships with our lender group who in turn help provide financing to facilitate our continued growth. As part of this, we are in regular dialogue with our banks to ensure they understand the Company's strategy and long-term ambition.
How did we engage?	The Investment Adviser has regular meetings with both existing and prospective lenders to ensure that they are kept up to date with business strategy, developments and performance. Debt structure and future debt requirements are considered by the Board at a minimum on a quarterly basis as part of the Investment Adviser's review.
What were the key topics discussed?	During the year, the Group, aided by the Investment Adviser, discussed with the lenders various refinancing options and future borrowing needs to ensure the appropriate financing for the Group was put in place.
What was the feedback obtained and/or the outcome of the engagement?	In July 2022, the Company announced it had arranged a new £412.1 million unsecured credit facility with a bank syndicate comprising of Barclays, Royal Bank of Canada, Royal Bank of Scotland International and Wells Fargo. This was the first time the Company had accessed unsecured debt financing. In September 2022, the Company announced a two-year extension on our Revolving Credit Facility with HSBC to August 2025. In March 2023, the Company announced that it had refinanced its existing loan facilities with Bayerische Landesbank with a new three-year £86.9 million term loan.

Stakeholder	Investment Adviser
Why is it important to engage?	The Board's main working relationship is with the Investment Adviser. The Investment Adviser brings a depth of experience in the Supermarket Property sector. This gives the Company a competitive advantage through its knowledge, specialist focus and network of industry and occupier contacts. The Investment Adviser has a crucial role in the performance and long-term success of the Company.
How did we engage?	It is important for the Board and Investment Adviser to maintain a positive and transparent relationship to ensure alignment of values and business objectives. The Board engage with the Investment Adviser at the scheduled quarterly Board meetings as a minimum. Ad-hoc Board meetings are held to approve matters including acquisitions and disposals, asset management opportunities, new financing arrangements and appointment of advisers.
What were the key topics discussed?	Key topics discussed between the Investment Adviser and the Board were strategic decisions which included the decision to buy the BAPTL stake in the SRP joint venture and the subsequent sale of the Group's interest in the SRP to Sainsbury's. Further financial topics included entering into hedges at a significant premium. Finally, discussions were had on Board governance and whether to establish an ESG Committee and appoint an additional non-executive director.
What was the feedback obtained and/or the outcome of the engagement?	Outcomes included the establishment of a new ESG Committee and the appointment of a new non-executive director to strengthen the Board's composition. The newly appointed non-executive director was also appointed Chair of the Management Engagement Committee.
Stakeholder	Tenants
Why is it important to engage?	We recognise that the success of the Company relies on the continued success of our operators, who in turn rely on quality stores in order to help them succeed. This is why we place particular onus on having a strong relationship with the grocery operators to better understand the challenges and opportunities facing their business.
How did we engage?	Regular meetings are held between the Investment Adviser and our key occupiers to understand their future needs, including views on market sentiment, performance and sustainability initiatives. Any potential opportunities or risks facing the Company are fed back to the Board to inform future strategy. The Investment Adviser will visit every site within the Portfolio at least once a year, with feedback reported to the Board of any material issues. We conduct a review of published operator data, such as annual accounts, trading updates and analysts' reports to identify mutually beneficial opportunities.
What were the key topics discussed?	During the year, key topics included trading performance, site queries and asset performance enhancement. ESG was also a topic of discussion with the tenants, including ways in which the Company could further enhance the sustainability of the buildings and in communal areas.
What was the feedback obtained and/or the outcome of the engagement?	The Investment Adviser introduced a new green lease rider in all new lease negotiations and agreed the clauses in as many leases as possible. The riders, among other things, enable us to request that tenants provide environmental performance data.
Stakeholder	Service Providers
Why is it important to engage?	As an externally managed Company, we are reliant upon our service providers to conduct our core activities. We recognise the importance of partnering with service providers who share our values and ethos and work to secure the best people with an established track record and, where possible, retain key partners on successive transactions and workstreams. Having strong relationships with our service providers promotes the overall success of the Company.
How did we engage?	The Board maintains regular contact with the Company's service providers, at its quarterly Board meetings, and otherwise as required. For example, the Company's brokers and property agent attend the Board meetings to keep the Company informed of the current market within which we operate. The Board established a Management Engagement Committee in the year to evaluate the performance of the Company's service providers.
What were the key topics discussed?	During the year the Board, in consultation with the Investment Adviser, discussed the appointment of new service providers. At the Management Engagement Committee, a review of the Company's service providers was undertaken, considering the fees charged in the year and the quality of service received.
What was the feedback obtained and/or the outcome of the engagement?	In January 2023, the Company announced the appointment of Goldman Sachs International as its joint broker with Stifel Nicolaus Europe Limited. In May 2023, the Company announced the appointment of Hanway Advisory Limited as its Company Secretary.

Stakeholder	Communities
Why is it important to engage?	As an owner of assets located in communities across the UK, we intend to support initiatives to enhance the lives of the people close to our assets and be good neighbours to our communities.
How did we engage?	<p>Ongoing tenant engagement provides the opportunity to discuss how the Company can support our tenants on community initiatives, as well as their own efforts to mitigate the impact of their operations. Supermarket anchor tenants are heavily involved in their local communities and many stores have a community champion with whom to engage.</p> <p>On schemes where we have communal area control (on assets we manage that are not solely occupied by one tenant), the Company is engaging with the communities it services in a huge number of ways.</p>
What were the key topics discussed?	During the year, the key topics of discussion regarded the way in which the Company could enhance its involvement within the local communities. This included supporting site teams to utilise local suppliers, employ local people and collaborate with local stakeholders.
What was the feedback obtained and/or the outcome of the engagement?	Establishing an ESG Committee to discuss, review and sign off on sustainability matters, ensuring sustainability remains at the top of the Company's agenda.

Dear Shareholders

I have pleasure in introducing this year's Corporate Governance report for the financial year ended 30 June 2023. The Board recognises that the way in which we conduct our business is just as important as what we do. A strong governance framework with an appropriate tone from the Board, is a key factor in being able to deliver sustainable business performance, whilst at the same time being able to deliver value for our shareholders.

Board priorities

A key part of the Board's focus during the year was to oversee the successful implementation of the Company's strategy and ensure it is positioned for long-term success. The Company has continued to grow throughout the year with nine new acquisitions, and two further acquisitions which completed shortly after the year end, supported by a £412.1 million unsecured credit facility completed in July 2022. During the year, the Company also successfully acquired BAPTL's 25.5% beneficial interest in the SRP JV for £188.8 million (excluding acquisition costs) and subsequently executed the sale of its interest in the JV to Sainsbury's, for a total consideration of £430.9 million⁵⁵. At a time of considerable macroeconomic uncertainty, we believe our exposure to the defensive nature of grocery real estate will allow us to continue delivering stable and long-term income to our shareholders.

Sustainability continues to remain an important focus for the Board, and with the support of the Investment Adviser, we continue to make good progress in implementing this within our overall strategy. During the year, we held the inaugural meeting of our ESG Committee. The Committee was established to serve as an independent and objective party to monitor the integrity and quality of the Company's ESG strategy. Additionally, the Committee was established to ensure that the strategy is integrated into the Company's business plan and values and to foster a culture of responsibility and transparency. Further information on our sustainability strategy can be found on pages 35 to 50 and in the Company's first standalone sustainability report, available on the Company website.

Board composition and succession planning

In March 2023, we were delighted to welcome Sapna Shah as a Non-Executive Director to the Board. Sapna was also appointed Chair of the Management Engagement Committee, effective 1 July 2023. Sapna has extensive experience in investment banking advising UK companies, including listed REITs and investment companies, on IPOs, equity capital market transactions as well as mergers and acquisitions. She brings with her a wealth of knowledge which further strengthens the Board. Succession planning is an important part of our governance process and will be a key focus for the Nomination Committee in 2024.

AIC Code of Corporate Governance (2019)

This report demonstrates how we have applied the principles and complied with the provisions of the AIC Code of Corporate Governance (February 2019) ("AIC Code") during the year, as well as our approach to corporate governance in practice. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (July 2018) (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council provides more relevant information to shareholders. Details of how the Board has discharged its duty under the AIC Code can be found on pages 76 to 77.

Shareholder engagement

We very much look forward to welcoming shareholders to our 2023 AGM due to be held on 7 December 2023. The Board attend the Company's AGM to answer any shareholder questions and I make myself available as necessary outside those meetings to speak with shareholders.

The Board oversees the Investment Adviser's formal investor relations programme, which is designed to promote engagement.

Priorities for 2024

Looking ahead to 2024, the Board is focused on continuing to maintain the highest standards of corporate governance with a focus on succession planning, as well as continuing to progress the Company's sustainability strategy, whilst ensuring the delivery of strong financial performance.

Nick Hewson

Chair

19 September 2023

⁵⁵ SRP investment: the Sainsbury's Reversion Portfolio held in a joint venture arrangement. See note 14 for further information

DIRECTORS

Director	Relevant skills and experience:	Career Highlights:
 <p>NICK HEWSON Chair of the Board</p>	<p>Date of appointment: June 2017</p> <ul style="list-style-type: none"> Over 35 years' experience as a property developer and investor Founded a UK retail warehousing business Invested in businesses covering bio-tech, digital imaging, geo-thermal ground source energy and corporate finance and fund management Experienced Non-Executive Director for both listed and private businesses Fellow of the Institute of Chartered Accountants of England and Wales 	<ul style="list-style-type: none"> Co-Founder, CEO and then Chair of Grantchester Holdings plc, a specialist LSE listed developer of and investor in UK retail warehouse property assets, where he worked from 1990 until 2002 Senior Independent Director, Chair of the Audit Committee, former Chair of the Nomination Committee, Member of the Placemaking and Sustainability Committee, Member of the Remuneration Committee, at Redrow plc, a FTSE 250 company and one of the UK's leading housebuilders Chair of the Executive Committee of Pradera AM plc, a European retail property fund management business, managing significant portfolios of retail properties located in Europe and the Near East Co-Founder, Investor and Non-Executive Director of Going Green Limited for 10 years to 2012, a firm founded with the mission to minimise the effects of carbon emissions in cities by encouraging electric vehicle commuting, pioneering the G-Wiz electric vehicle Founding partner of City Centre Partners LP, a business specialising in converting office properties to residential in Central London
 <p>VINCE PRIOR Chair of The Nomination Committee and Senior Independent Director</p>	<p>Date of appointment: June 2017</p> <ul style="list-style-type: none"> Over 35 years' experience in the retail property sector; over 20 years as a senior adviser and consultant Key areas of expertise include supermarket real estate, business strategy, investment property financing and real estate development Experienced Executive and Non-Executive Director 	<ul style="list-style-type: none"> Head of Property Investment at Sainsbury's. Over a five-year period to 2014, the property portfolio grew from £7.5 billion to £12 billion Head of Retail Advisory Services at Jones Lang LaSalle ("JLL") providing strategic advice to a range of high-profile supermarket and retail operators COO of European Retail Group at Jones Lang LaSalle, overseeing growth and development of JLL's retail business across Europe Corporate Planning and Manager of Site Research Unit for Tesco Stores, involved in set up of the location planning team and developing the group's first five-year strategic plan
 <p>JON AUSTEN Chair of The Audit and Risk Committee</p>	<p>Date of appointment: June 2017</p> <ul style="list-style-type: none"> Over 30 years' experience in the UK property sector Board member of privately owned business, which specialises in land development and promotion, and renewable energy Fellow of the Institute of Chartered Accountants of England and Wales 	<ul style="list-style-type: none"> Chief Financial Officer at Audley Court Limited, which develops retirement villages in the UK Senior Independent Director and Chair of the Audit Committee of McKay Securities plc, a fully listed REIT specialising in office and industrial property, until its takeover by Workspace plc in May 2022 Group Finance Director at Urban&Civic plc, the UK's leading Master Developer Also held senior finance roles at London and Edinburgh Trust plc, Pricoa Property plc and Goodman Limited

Director

Relevant skills and experience:

Career Highlights:



CATHRYN VANDERSPAR
Chair of The Remuneration Committee

Date of appointment: February 2020

- Lawyer with over 30 years' experience (over 20 of these as a tax partner), including active participation in HMRC and HMT working groups
- Specialist in direct and indirect real estate structuring, including REITs
- Author of the tax chapter on REITs in Tolleys Taxation of Collective Investment

- Head of Real Estate Tax at Travers Smith LLP
- Non-Executive Director of CBRE Investment Management (UK Funds) Limited (formerly CBRE Global Investors (UK Funds) Limited)
- Head of London Tax at Eversheds Sutherland
- Tax Partner at Berwin Leighton Paisner (now BCLP)



FRANCES DAVIES
Chair of The Environmental, Social and Governance Committee

Date of appointment: June 2022

- Over 30 years' experience in corporate finance and asset management
- Partner at Opus Corporate Finance
- Non-Executive Director at Aegion Investments Limited and HICL Infrastructure plc
- Independent Member of Aviva With-Profits Committee

- Head of Global Institutional Business at Gartmore Investment Management
- Non-Executive Director of J.P. Morgan Smaller Companies Investment Trust plc
- Previously held directorships at SG Warburg, Morgan Grenfell Asset Management and Dalton Strategic Partnership



SAPNA SHAH
Chair of The Management Engagement Committee

Date of appointment: March 2023

- Over 20 years' investment banking experience advising UK companies, including REITs and investment companies
- Extensive experience advising companies on IPOs, equity capital market transactions and mergers and acquisitions
- Previously served on the advisory committee for a private solar energy company

- Non-executive Director of the AIC and Biopharma Credit PLC
- Senior Adviser at Panmure Gordon Limited
- Previously held senior investment banking roles at UBS AG, Oriel Securities (now Stifel Nicolaus Europe) and Cenkos Securities

THE INVESTMENT ADVISER

Adviser

Relevant skills and experience:

Career Highlights:



BEN GREEN
Principal

Date of appointment: Nov 2016

Ben is a principal at Atrato and is responsible for leading the development and execution of the firm's long-term strategy. Ben is a member of the Atrato Group Leadership Team and a member of the firm's Investment Committee.

- Over 20 years' experience structuring and executing real estate transactions
- Completed more than £3.5 billion of sale and leaseback transactions, with major occupiers including Tesco, Barclays and the BBC
- Expert in executing transactions for grocery real estate and real estate corporate finance
- Qualified Lawyer

- Co-founded Atrato and led the IPO of Supermarket Income REIT
- Managing Director Lloyds Bank Commercial Banking, where he ran the team providing corporate finance services to corporates, infrastructure and real estate clients
- Managing Director and Head of European Structured Finance at Goldman Sachs from 2007 to 2013
- Director Barclays Capital



STEVE WINDSOR
Principal

Date of appointment: Jan 2017

Steve is a principal at Atrato and is responsible for leading the development and execution of the firm's long-term strategy. Steve is a member of the Atrato Group Leadership Team and a member of the firm's Investment Committee.

- Over 20 years' experience specialising in finance and risk management
- Expert in capital markets, risk management and financing
- Highly experienced in senior management positions

- Co-founded Atrato and led the IPO of Supermarket Income REIT
- Partner and Head of EMEA Debt Capital Markets and Risk Solutions at Goldman Sachs
- Held various roles across both Trading and Banking divisions at Goldman Sachs from 2000 to 2016
- Member of Goldman Sachs Investment Banking Risk Committee
- Advised numerous FTSE 100 firms on managing risk and financing their business



STEVEN NOBLE
Chief Investment Officer

Date of appointment: Apr 2017

Steven is responsible for overseeing all investments for the Group. Steven is a member of the Atrato Group Leadership Team and a member of the firm's Investment Committee.

- Over 20 years' experience specialising in finance, risk management and real estate
- Extensive supermarket property transaction experience
- Specialist in corporate finance, with a primary focus on commercial real estate
- Chartered Financial Analyst and Chartered Accountant

- Co-founded Atrato and led the IPO of Supermarket Income REIT
- Transacted over 30 supermarket property transactions, growing Supermarket Income REIT's portfolio to £1.2 billion
- Senior Manager at Lloyds Bank in Corporate Finance

Adviser

Relevant skills and experience:

Career Highlights:



NATALIE MARKHAM
Chief Financial Officer

Date of appointment: Nov 2017

Natalie is responsible for the management of the finance function for Atrato Group, including the supermarkets investment fund. Natalie is a member of the Atrato Group Leadership Team and a member of the firm's Investment Committee.

- Over 20 years' experience in finance, specialising in real estate investment funds
- Experienced in senior management positions and financial management positions of real estate investment companies
- Leading the SUPR ESG project with the Atrato COO
- Fellow of the Chartered Institute of Accountants

- European CFO Macquarie Global Property Advisors, member of MGPA European Management Team and Director of the MGPA European advisory business
- Manager RSM Robson Rhodes, audit and assurance



ROBERT ABRAHAM
Managing Director - Fund Management

Date of appointment: May 2019

Robert is responsible for managing the supermarkets investment fund for the Group.

- Over 10 years of real estate investment and loan origination/syndication experience
- Key areas of expertise include property investment, commercial banking, and loans
- Chartered Financial Analyst

- Origination of over £1 billion of supermarket acquisitions
- Execution of over £750 million of debt facilities for the group
- Coordination and execution of debt facilities whilst in the Loan Markets team at Lloyds Bank



HAFFIZ KALA
Finance Director

Date of appointment: Nov 2020

Haffiz is the Finance Director at Atrato and is responsible for the finance, tax and operations of the supermarkets investment fund.

- Over 17 years' experience within the investment management industry with a sector focus on real estate and private equity
- Fellow of the Institute of Chartered Accountants in England and Wales

- Vice President, Alternative Funds at PIMCO
- Senior manager within the assurance practice at PriceWaterhouseCoopers, performing audit and advisory services within the investment management industry

Role of the Board

The Board has a duty to promote the long-term sustainable success of the Company for its shareholders. The Board is responsible for the overall leadership of the Company, setting its values and standards, including approval of the Group's strategic aims and objectives and oversight of its operations.

The Board currently comprises the Chair and five independent Non-Executive Directors and is supported by Hanway Advisory Limited who act as the Company Secretary. Nick Hewson is the Chair of the Company and is responsible for leading the Board and for setting the tone in respect of the Company's purpose, values and culture. As part of his role in leading the Board, he ensures that the Board provides constructive input into the development of strategy, understands the views of the Company's key stakeholders and provides appropriate oversight, challenge and support.

Vince Prior is the Senior Independent Director ("SID") and acts as a sounding board for the Chair as well as an intermediary to the other Directors and shareholders as required. The SID also meets with the other Non-Executive Directors annually, without the Chair present, to evaluate the performance of the Chair, in line with good practice. In addition to his role as the SID, Vince Prior serves as Chair of the Nomination Committee.

The Board is well balanced and possesses a sufficient breadth of skills, variety of backgrounds, relevant experience and knowledge to ensure it functions effectively and promotes the long-term sustainable success of the Company. All Directors have access to the advice and services of the Company Secretary, who are responsible to the Chair on matters of corporate governance. Further details of each Director's experience can be found in the biographies on pages 66 to 67.

How we operate

The Company's business model and strategy were established at the time of the IPO in July 2017. Whilst the business has grown materially since the Company's listing,

its strategy and operations have not changed. The business continues to generate long-term income with inflation protection from key operating real estate assets, with additional potential for capital growth over the medium to long term. Acquisition opportunities and any related debt finance are examined by the Board with a view to ensuring the long-term sustainability of the business. The security and longevity of returns is fundamental to the Company's strategy, as summarised in the outline of the Group's business model on page 8 and on the Company's website: www.supermarketincomereit.com, and the Company's investment strategy is described in the Strategic Report on pages 15 to 28.

The Company has an outsourced operating model. JTC Global AIFM Solutions Limited has been appointed by the Group, pursuant to the AIFM Agreement, to be the Group's Alternative Investment Fund Manager (the AIFM or the "Investment Manager"), under which it is responsible for overall portfolio management and compliance with the Group's investment policy, ensuring compliance with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD") that apply to the Group and undertaking risk management. The AIFM has delegated certain services in relation to the Group and its Portfolio, which include advising in relation to financing and asset management opportunities, to the Investment Adviser. The Investment Adviser advises the Group and the AIFM on the acquisition of its investment portfolio and on the development, management and disposal of UK commercial assets in its portfolio pursuant to the Investment Advisory Agreement.

The Management Engagement Committee keeps the appropriateness of the Investment Adviser's appointment under review. In doing so the Committee considers the past investment performance of the Group and the capability and resources of the Investment Adviser to deliver satisfactory investment performance in the future. It also reviews the fees payable to the Investment Adviser, together with the standard of services provided by key suppliers to the Company.

Conflicts of interest

All the Directors are considered by the Board to be independent of the AIFM and of the Investment Adviser. As such, they are considered to be free from any business or other relationships that could interfere with the exercise of their judgements.

Each Director has a duty to avoid a situation in which he or she has a direct or indirect interest that may conflict with the interests of the Company. The Board may authorise any potential conflicts, where appropriate, in accordance with the Articles of Association. Where a potential conflict of interest arises, a Director will declare their interest at the relevant Board meeting and not participate in the decision making in respect of the relevant business.

Culture

The culture and ethos of the Company are integral to its success. The Board promotes open dialogue and frequent, honest and open communication between the Investment Adviser and other key advisers to the Company. Whilst the Company has no employees, the Board pays close attention to culture of the Investment Adviser and its employees and believes that its forward thinking and entrepreneurial approach, combined with its rigour and discipline, is the right fit for delivering our strategy and purpose.

The Board believes that its positive engagement and working relationship with the Investment Adviser helps the business achieve its objectives by creating an open and collaborative culture, whilst allowing for constructive challenge. The Non-Executive Directors speak regularly with members of the Investment Adviser outside of Board meetings to discuss various key issues relating to Company matters. The Company's success is based upon the effective implementation of its strategy by the Investment Adviser and third-party providers under the leadership of the Board. The Board's culture provides a forum for constructive and robust debate, and the Board believes that this has been fundamental to the success of the Company to date.

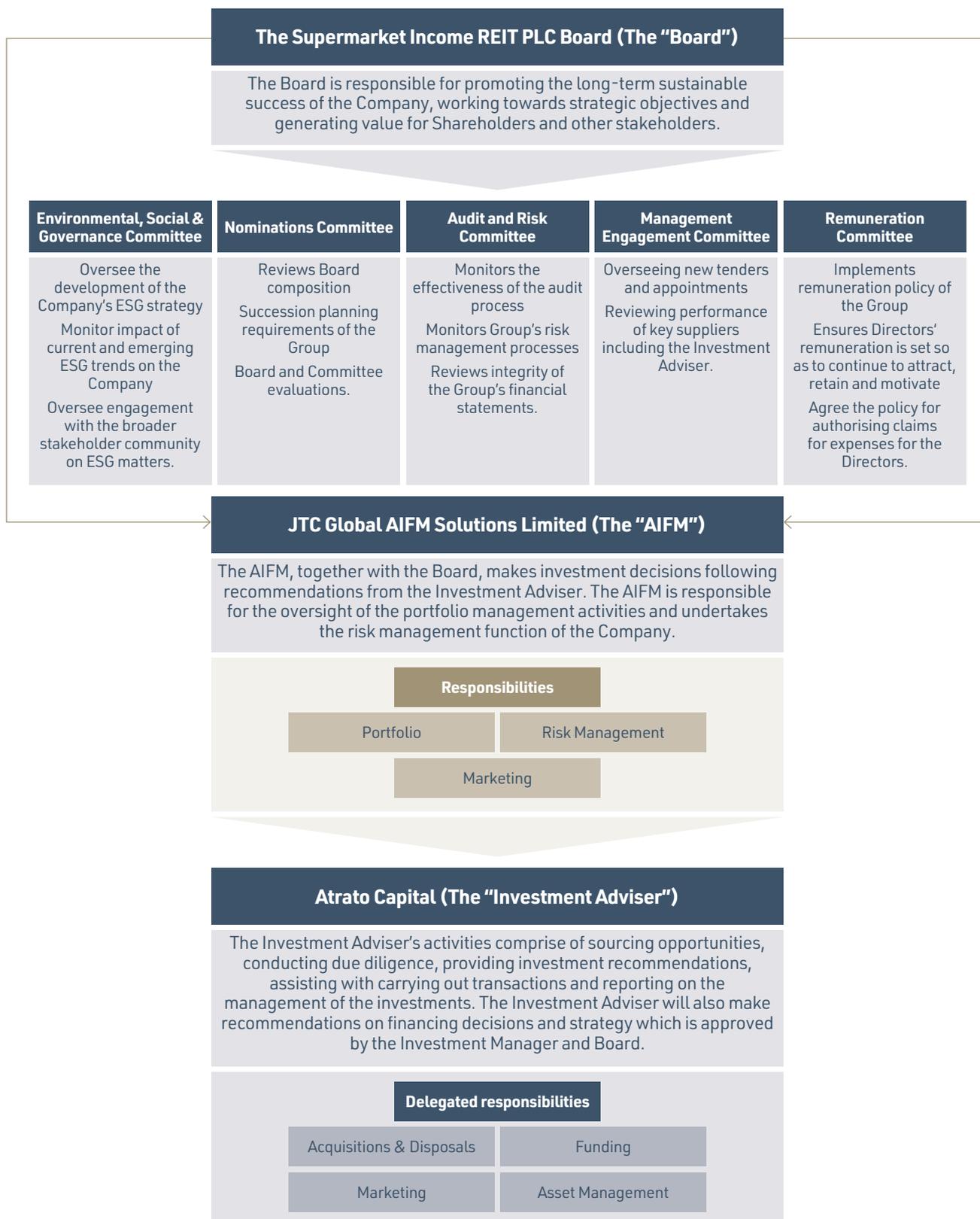
Investment Advisory Agreement

A revised Investment Advisory Agreement was entered into in July 2021, prior to the expiry of the initial agreement in July 2022. The terms of the revised agreement have not materially changed other than the extension of the notice period to a rolling two-year term and the introduction of a new lower fee tier when NAV exceeds £2 billion. In reviewing the terms of the Investment Advisory Agreement (the material terms of which are summarised in note 27 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 are achieved by way of the structure of the Investment Advisory Agreement which compensates the Investment 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 at the discretion of the Board can be used to purchase shares in the Company.
- The structure of and rationale behind the Investment Adviser's fees are explained in note 27 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.
- 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.

Our operating model



The Board's attendance in 2022/2023

All Directors are expected to devote sufficient time to the Company's affairs to fulfil their duties as Directors and to attend all scheduled meetings of the Board and of the Committees on which they serve. Where Directors are unable to attend a meeting, they will provide their comments on the Board papers received in advance of the

meeting to the Chair, who will share such input with the rest of the Board and the AIFM. The Nomination Committee is satisfied that all the Directors, including the Chair, have sufficient time to meet their commitments.

Attendance at scheduled Board and Committee meetings during the year was as follows:

	Quarterly Board meetings	Audit and Risk Committee	Nominations Committee	Remuneration Committee	Management Engagement Committee	ESG Committee
	4 Scheduled meetings	3 Scheduled meetings	2 Scheduled meetings	2 Scheduled meetings	1 Scheduled meeting	1 Scheduled meeting
	100% attendance	100% attendance	100% attendance	100% attendance	100% attendance	100% attendance
Nick Hewson	4/4	N/A*	2/2	2/2	1/1	1/1
Vince Prior	4/4	3/3	2/2	2/2	1/1	1/1
Jon Austen	4/4	3/3	2/2	2/2	1/1	1/1
Cathryn Vanderspar	4/4	3/3	2/2	2/2	1/1	1/1
Frances Davies	4/4	3/3	2/2	2/2	1/1	1/1
Sapna Shah**	2/2	1/1	1/1	1/1	1/1	1/1

*Nick Hewson as Chair of the Board is not a member of The Audit and Risk Committee

** Sapna Shah was appointed to the Board on 1 March 2023 and to all other committees from 29 March 2023

The Board typically meets for scheduled Board meetings four times a year in addition to an annual strategy day. The Board will also have separate unscheduled Board meetings to approve matters including, but not limited to:

- All potential acquisitions and disposals, including appointment of principal advisers and cost budgets
- Asset management initiatives
- New financing or refinancing arrangements
- Hedging strategy
- Equity raises

Board meetings

The quarterly Board meetings follow a formal agenda, which is approved by the Chair and circulated by the Company Secretary in advance of the meeting. The Chair leads the Board by presiding over Board meetings; agreeing the agendas, ensuring, among other matters, that appropriate weight is given to topics such as strategy, asset allocation and financial performance. The Chair ensures that Board debates are balanced, open and inclusive and promotes behaviours and attributes that make up the culture.

The Chair ensures that the Board is provided with information of appropriate quality and form, in a timely manner. The Board is kept fully informed of potential investment opportunities, along with wider property market intelligence, through a comprehensive set of Board papers prepared by the Investment Adviser prior to each meeting. Representatives of the Investment Adviser are invited to attend the Board meetings, as are representatives of the Company’s other advisers as required, particularly representatives from the Company’s property agent, external legal counsel and brokers.

A summary of typical matters discussed by the Board at each quarterly Board meeting are noted below:

	Discussion
Strategy and operational	<ul style="list-style-type: none"> • Update by the Company’s joint brokers on the public markets and capital market activity of the Company’s peers • Supermarket property sector update by the Company’s property agent • Review of movements within the Direct Portfolio, including recent acquisitions and rent reviews which have taken place during the year • Review of the Joint Venture Portfolio • Grocery sector overview, including financial update on key tenants • Leasing activity, major developments and longer-term pipeline • Future asset management initiatives
Finance and financing	<ul style="list-style-type: none"> • Quarterly financial statements review • Actuals vs budgets analysis • Review of the Company’s key performance indicators • Analysis of current debt facilities, including any impending facility renewals • Review of current cost of capital • Approval of the financial budget (annual basis)
Environmental	<ul style="list-style-type: none"> • Update on the sustainability agenda and targets • EPC summary of the Portfolio
Governance	<ul style="list-style-type: none"> • Update by the Company’s external legal counsel on matters which have been actioned during the year • Committee chairs will report on items discussed at the Board Committees • Review and discussion of the quarterly AIFM report presented by the AIFM • The Company Secretary will report on corporate governance developments including any changes required to Terms of References • Stakeholder feedback from shareholders and research analysts • Review of significant shareholdings at the year end

In addition to formal Board meetings, there is also an ongoing informal interaction between the Directors, the AIFM and the Investment Adviser. The annual evaluation of the Board’s effectiveness always considers the performance of the Chair, and whether he has performed his role effectively. In recent years, the Directors, led by the Senior Independent Director, have concluded that the Chair has fulfilled his role and supported effective functioning of the Board.

Some examples of how the Board has considered stakeholder interests and s.172(1) matters in its decision making in 2022/23 are set out below and in “Board Activities during the year” on page 74. Further details on our stakeholder engagement, and our response, can also be found on pages 62 to 64.

Decision	Stakeholders	Board rationale and considerations	Impact	Long-term effects of decision
Consent to the business plan for the disposal and financing of the various SRP transactions	Shareholders Investment Adviser	Disposal to Sainsbury's	Efficient unwind of the joint venture structure maximised returns for the Company and successful conclusion strengthened relationship with key tenant Sainsbury's	Proceeds generated were used to de-lever the Company's balance sheet
Hedging	Shareholders Investment Adviser	The Board recognised the potential risk to earnings volatility given current market conditions. The Board were keen to protect the Company from this risk in the near term	New hedging was entered into, so as to fix 100% of the Company's drawn debt	This removed earnings volatility relating to financing costs, allowing the Company to target paying a covered dividend into the future
Establishment of the ESG Committee and Management Engagement Committee	Shareholders Communities Investment Adviser Service Providers	The Board were keen to improve governance of the Company and given the Company's commitments to ESG, wanted to ensure sufficient time could be dedicated. In addition, the Board wanted to ensure there was a rigorous and thorough approach taken to review the Investment Adviser and other service providers	Improved ESG reporting, including full TCFD reporting	The establishment of these Committees allows sufficient time to be dedicated to ESG considerations and the review of the Investment Adviser and other service providers, strengthening the Company's governance
Appointment of Non-Executive Director	Shareholders Communities	Succession planning ensures a smooth and orderly transfer of responsibilities by the Board reducing future business risk. A Board member with capabilities in capital markets will enhance the Board's decision-making process on such issues	The Board approved the decision following the recommendation of the Nominations Committee to appoint Sapna Shah as a Non-Executive Director from 1 March 2023	The appointment supports the Board's commitment to diversity, in line with the FCA's targets under the Listing Rules, whilst also allowing some flexibility for determining succession for key committees into the future

KEY BOARD STATEMENTS

Statement of Compliance

The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance (February 2019) (AIC Code) and that these provide the most appropriate framework for the Company's governance and reporting to shareholders.

The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (July 2018) (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders.

The Company has complied with the Principles and Provisions of the AIC Code throughout the year, except for the three provisions set out below:

- The role of the chief executive
- Executive directors' remuneration
- The need for an internal audit function

The Board considers that these provisions are not relevant to Supermarket Income REIT plc, being an externally managed investment company. All the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Group does not have an internal audit function. The need for this is reviewed annually by the Audit and Risk Committee. Due to the relative lack of complexity and the outsourcing of most of the day to-day operational functions, the Audit and Risk Committee continues to be satisfied that there is no requirement for such a function.

A copy of the AIC Code can be obtained via the AIC's website, www.theaic.co.uk. It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant to investment companies.

This Corporate Governance Statement forms part of the Directors' Report.

AIC Code	Principle	Evidence of compliance / explanation of departure from the AIC Code
A	A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.	Section 172(1) Statement on page 61. Leadership and Purpose on pages 70 to 73. Strategic Report on pages 1 to 61.
B	The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.	Strategic Report on pages 1 to 61. Leadership and Purpose on pages 70 to 73.
C	The Board should ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	Our Principal Risks on pages 51 to 60. Audit and Risk Committee Report on pages 81 to 84. Nomination Committee Report on pages 78 to 80. Management Engagement Committee Report on pages 85 to 86. ESG Committee Report on page 87. Directors' Report on pages 92 to 93.
D	In order for the Company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	Section 172 Statement on page 61. Our Key Stakeholder Relationships on pages 62 to 64.
F	The Chair leads the Board and is responsible for its overall effectiveness in directing the Company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information.	Board Activities during the year on page 74.
G	The Board should consist of an appropriate combination of directors (and, in particular, independent Non-Executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.	Leadership and Purpose on pages 70 to 73. Nomination Committee Report on pages 78 to 80.
H	Non-Executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account.	Leadership and Purpose on pages 70 to 73. Nomination Committee Report on pages 78 to 80.
I	The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	Nomination Committee Report on pages 78 to 80. Board Activities during the year on page 74. Leadership and Purpose on pages 70 to 73.

AIC Code	Principle	Evidence of compliance / explanation of departure from the AIC Code
J	Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Nomination Committee Report on pages 78 to 80.
K	The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	Board of Directors Biographies on pages 66 to 67. Nomination Committee Report on pages 78 to 80.
L	Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.	Nomination Committee Report on pages 78 to 80.
M	The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.	Audit and Risk Committee Report on pages 81 to 84.
N	The Board should present a fair, balanced and understandable assessment of the Company's position and prospects.	Audit and Risk Committee Report on pages 81 to 84.
O	The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.	Audit and Risk Committee Report on pages 81 to 84. Alternative Investment Fund Manager's Report on pages 95 to 96.
P	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	Remuneration Committee Report on pages 88 to 91.
Q	A formal and transparent procedure for developing a remuneration policy should be established. No Director should be involved in deciding their own remuneration outcome.	Remuneration Committee Report on pages 88 to 91.
R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Remuneration Committee Report on pages 88 to 91.
Requirement	Board statement	Where to find further information
Going concern basis	The Board is of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.	Further details are set out on pages 59 to 60 of the Strategic Report.
Viability Statement	The Board is of the opinion that the viability statement made in the Annual Report is appropriate.	Further details are set out on pages 59 to 60 of the Strategic Report.
Annual review of systems of risk management and internal control	A continuing process for identifying, evaluating and managing the risks the Company faces has been established and the Board has reviewed the effectiveness of the internal control systems.	Further details are set out in the Audit and Risk Committee Report on pages 81 to 84 of this Governance Report.
Robust assessment of the Company's emerging and principal risks to the business model, future performance, solvency and liquidity of the Company.	The Audit and Risk Committee and the Board undertake a full risk review annually where all the emerging, principal risks and uncertainties facing the Company and the Group are considered.	Further details can be found in Our Principal Risks on pages 51 to 60 of the Strategic Report.
Fair, balanced and understandable	The Directors confirm that to the best of their knowledge the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.	Further details of the fair, balanced and understandable statement can be found in the Audit and Risk Committee Report on page 83.
Appointment of the Investment Adviser	The Directors consider the continuing appointment of the Investment Adviser on the terms agreed in the Investment Advisory Agreement dated 14 September 2020 and the subsequent renewal dated 14 July 2021 to be in the best interests of the Company.	Further details are set out in Note 27 to the Consolidated Financial Statements.
s.172	The Directors have considered the requirements of s.172 when making strategic decisions.	Section 172 Statement on page 61.

Dear Shareholders

I am pleased to present the Nomination Committee report for the year ended 30 June 2023. The main focus of the Committee over the past year has been on Board recruitment and we were delighted to welcome Sapna Shah to the Board in March 2023.

How the Committee operates

The Nomination Committee Terms of Reference are available on the Company's website and on request from the Company's registered office.

During the period to 30 June 2023, the Committee comprised of six Independent Non-Executive Directors of the Company, none of which are connected to the AIFM or Investment Adviser.

Committee Members

Vince Prior: Committee Chair

Jon Austen

Frances Davies

Nick Hewson

Sapna Shah (appointed 29 March 2023)

Cathryn Vanderspar

All the Committee members served for the full year, unless otherwise stated.

Following a review of Committee membership post year end, effective 1 July 2023, the Committee now comprises Vince Prior as Chair, Nick Hewson and Sapna Shah.

During the year the Nomination Committee held two formal meetings. The Company Secretary and I ensure that the meetings are of sufficient length to allow the Committee to consider all important matters and the Committee is satisfied that it receives full information in a timely manner to allow it to fulfil its obligations.

Members of the Investment Adviser were invited to attend the Committee meetings. The Company Secretary, Hanway Advisory Limited, acts as secretary to the Committee.

Committee Responsibilities

The Committee is responsible for reviewing the structure, size and composition of the Board to ensure that it has the appropriate skills, experience and knowledge to enable to Company to fulfil its strategic objectives. The Committee is also responsible for effective Board succession planning.

Specifically, the Committee is required to determine and make recommendations to the Board concerning:

- Plans for succession for Non-Executive Directors, in particular for the key roles of Chair and the Senior Independent Director
- Membership of the Audit and Risk, Remuneration, Management Engagement and ESG Committees, in consultation with the Chairs of those committees
- The reappointment of any Director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required

- Any matters relating to the continuation in office of any Director at any time.

Board Independence and Tenure

The Board currently comprises six Non-Executive Directors all of whom are deemed independent. In accordance with the provisions of the AIC Code, all Directors offer themselves for annual re-election by shareholders at the AGM. We considered whether this was appropriate having due regard to each Directors' performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required. We also considered other external appointments held by Directors and the amount of time each Director has devoted to the Company.

The Committee is satisfied that each Director has devoted sufficient time to the Company over the past year. Following the advice of the Committee and in line with the AIC Code the Board will recommend the re-election of each Director at the forthcoming AGM.

Directors are appointed for an initial term of three years with an expectation that they will serve at least two three-year terms, but they may be invited to serve for an additional period. The Board is subject to an annual evaluation and while we do not believe it is necessary to mandatorily replace a Director after a fixed term, we do have regard for the need for progressive Board refreshment and renewal, and will implement succession planning accordingly. In May 2023, the Committee recommended to the Board that Nick Hewson, Jon Austen and Vince Prior serve a third three-year term, subject to annual re-election at the Company's AGMs.

Activities during the year**Succession planning**

The Committee is responsible for considering succession planning for the Directors, taking into account the challenges and opportunities facing the Company, and the skills and expertise expected to be needed in the future. The Committee evaluated the current skills and experience on the Board and identified the need to appoint an additional Non-Executive Director with capital markets experience. Additionally, in support of the FCA's diversity targets, the Board ensured a diverse pool of candidates were considered.

The Board undertook a formal, rigorous and transparent process, shortlisting a pool of candidates who were known by either the Investment Adviser or the Company's advisers. This method was considered effective in place of using an external search consultancy or open advertising, which are steps typically taken for the appointment of the chair and non-executive directors. The criteria was based solely on merit, taking into account the candidates' experience to date as well as their cognitive and personal strengths. In undertaking the process, the Board had regard to both the AIC and FRC Guidance on Board effectiveness.

Following a detailed selection process, the Committee recommended the appointment of Sapna Shah with effect from 1 March 2023. Sapna was also appointed Chair of the Management Engagement Committee effective

1 July 2023. Sapna has 20 years of investment banking experience advising UK companies, including listed REITs and investment companies, on IPOs, equity capital market transactions and mergers and acquisitions. Sapna was appointed as a non-executive director of The Association of Investment Companies (“AIC”) in January 2021 and is a member of the AIC remuneration committee and was appointed as a non-executive director of Biopharma Credit PLC in March 2023. Sapna is a Senior Adviser at Panmure Gordon Limited and prior to this held senior investment banking roles at UBS AG, Oriel Securities (now Stifel Nicolaus Europe) and Cenkos Securities. She has previously served on the advisory committee for a private solar energy company.

The Committee is wholly satisfied the Directors devoted sufficient time to their duties over the past year and that the Board comprised the necessary skills and experience to discharge its obligations to the Company’s shareholders and other stakeholders. Consequently, there were no other changes to the composition of the Board this year. Looking ahead, the Committee recognises the benefits that new and diverse thinking may bring to the Board and will keep composition under continuing review.

Committee membership

During the year, we also reviewed the composition of the Board’s committees and recommended a number of changes to Committee membership, effective 1 July 2023, to improve the efficiency of the board committees of which all Directors were previously members (apart from Nick Hewson, as Chair of the Board not being a member of the Audit Committee). Details of Committee membership can be found on pages 78, 81, 85, 87 and 88.

Director training programme

The Chair is responsible for ensuring that any ongoing training and development needs of the Directors that are relevant for their role in the Company are met. All Directors are provided with an appropriate induction at the time of appointment. The remit of the Nomination Committee includes monitoring the skills and knowledge of the Directors and, where necessary, further support is provided. Sapna Shah received a formal induction upon joining the Board which consisted of meetings with the Chair, Investment Adviser and Company Secretary.

We recognise that it is essential to keep abreast of regulatory and compliance changes including Corporate Governance and ESG-related issues. Accordingly, training programmes are arranged as and when the need arises.

In addition to the bespoke training sessions, each Director is expected to maintain their individual professional skills and is responsible for identifying any training needs to help them ensure that they maintain the requisite knowledge to be able to consider and understand the Company’s responsibilities, business and strategy. All Directors have access to the advice and services of the Company Secretary. The Directors are also entitled to take independent advice at the Company’s reasonable expense at any time.

Performance Evaluation

The Directors recognise that an evaluation process is a significant opportunity to review the practices and performance of the Board, its Committees and its individual Directors in order to implement actions to improve the Board’s effectiveness and contribute to its overall success.

In last year’s Board evaluation, a number of key actions were identified, all of which were completed within the year. This evaluation was externally facilitated and an external board evaluation is expected to happen at least every three years.

During the year, the Nomination Committee carried out an internal process to evaluate performance. The Directors were asked to complete a questionnaire considering matters such as: board composition, diversity, leadership, stakeholder engagement and efficiency of Board processes. The results of the performance evaluation demonstrated that the Board was operating effectively.

In the evaluation, the Board identified areas of improvement and agreed next steps. The Nomination Committee will monitor progress against those areas of improvement.

Recommendation	How this is being addressed
Improvement to the induction process for new Directors	Sapna Shah received a full formal induction, including meetings with the Company’s key advisers.
Monitoring of training and development	The Company Secretary has developed a CPD tracker to monitor training and personal development undertaken by the Directors.
Use of a recruitment specialist for future Director appointments	The Nomination Committee will consider using a recruitment specialist at the appropriate time.

Board diversity and inclusion

The Company does not have any employees. In respect of appointments to the Board, we consider that each candidate should be appointed on merit to make sure that the best candidate for the role is appointed every time. The Board supports diversity and inclusion and as such recruitment processes promote diversity of all kinds including gender, ethnicity, sexual orientation, disability or educational, professional and socioeconomic backgrounds and neurodiversity. This will ensure that any such appointment will develop and enhance the operation of the Board to best serve the Company’s strategy.

The Company’s Diversity Policy is reviewed regularly and it is believed that the Board has a balance of skills, qualifications and experience which are relevant to the Company.

The Board supports the recommendations set out in the Hampton-Alexander Review on gender diversity and the Parker Review on ethnic diversity and recognise the value and importance of cognitive diversity in the boardroom. As at the date of this report, the Board consisted of three male and three female members, meaning we have achieved the 33% female Board representation target as set out by the

Hampton-Alexander initiative, and the 40% female Board representation target as set out in the FCA listing rules on diversity. The Board is committed to maintaining that the Board, as a whole, will have at least 40% representation of either gender. The Board is also committed to maintaining at least one female member on each of its Committees.

FCA Listing Rule requirements

The following table sets out the gender and ethnic diversity of the Board as at 30 June 2023 in accordance with the FCA's Listing Rules, the disclosure of which in this report having been approved by each of the Directors:

Gender Diversity	Number of Board Members	Percentage of the Board	Number of Senior Positions on the Board*
Men	3	50%	2
Women	3	50%	0
Prefer not to say	-	-	-
Ethnic Diversity			
White British or other White (including minority white groups)	5	83%	2
Mixed/Multiple Ethnic Groups	-	-	-
Asian/Asian British	1	17%	0
Black/African/Caribbean/Black British	-	-	-
Other ethnic group, including Arab	-	-	-

*In accordance with the Listing Rules, as an externally managed investment Company, we do not have any executive management, including the roles of CEO or CFO, who are Directors of the Company. The Company considers the SID and Chair to be the only applicable roles with the business and have reported against these.

The Company has reported against the Listing Rules on diversity and has complied with the targets or otherwise explained non-compliance below.

Requirement	Explanation
At least one senior board position (Chair, CEO, CFO or SID) is a woman.	Given the Company is an Investment Trust, there are limited roles to satisfy this criteria (being only the Chair or SID). The Remuneration, ESG and Management Engagement Committee are all Chaired by women, and the Board consider these to be senior roles. The Board will aim to meet this requirement for the year ending 30 June 2024.

Committee effectiveness

Details of the performance evaluation conducted during the year can be found on page 79.

Signed on behalf of the Nomination Committee by

Vince Prior

Nomination Committee Chair
19 September 2023

Dear Shareholders,

I am pleased to present the Audit and Risk Committee Report for the year ended 30 June 2023. The Audit and Risk Committee's role is to oversee the Group's financial reporting process, including the risk management and internal financial controls in place within the AIFM and the Investment Adviser, the valuation of the property portfolio, the Group's compliance with accepted accounting standards and other regulatory requirements, as well as the activities of the Group's Auditor. I was pleased to welcome Sapna Shah to the Committee during the year and I am certain her breadth of experience will be a welcome addition to the Board.

How the Committee operates

The Audit and Risk Committee Terms of Reference are available on the Company's website and on request from the Company's registered office.

During the period to 30 June 2023, the Committee comprised of five Independent Non-Executive Directors of the Company, none of which are connected to the AIFM or Investment Adviser.

Committee Members

Jon Austen: Committee Chair

Frances Davies

Vince Prior

Sapna Shah (appointed 29 March 2023)

Cathryn Vanderspar

All the Committee members served for the full year, unless otherwise stated. Following a review of Committee membership post year end, effective 1 July 2023, the Committee now comprises myself as Chair, together with Vince Prior and Sapna Shah. It should be noted the fees for the Audit and Risk Committee were not increased for the year from 1 July 2023. Further information on Directors' Remuneration can be found in *Annual Report on Directors' Remuneration* on pages 90 to 91.

The Committee believes that its members have the right balance of skills and experience within the real estate sector to be able to function effectively. The Board considers that I have recent and relevant financial expertise to chair the Audit and Risk Committee. Further details of each Director's experience can be found in the biographies on pages 66 to 67.

During the year, the Audit and Risk Committee held three formal meetings following the Company's corporate calendar, which ensures that the meetings are aligned to the Company's financial reporting timetable. The Company Secretary and I ensure that the meetings are of sufficient length to allow the Committee to consider all important matters and the Committee is satisfied it receives full information in a timely manner to allow it to fulfil its obligations.

Members of the Investment Adviser and the Group's Auditor were invited to attend the Committee meetings. Hanway Advisory Limited as Company Secretary acts as secretary to the Committee. The Chair of the Board, Nick Hewson, whilst not a member of the Audit and Risk Committee attends meetings during the year by invitation.

As the Committee Chair, I have had regular communications with the Auditor and senior members of the Investment Adviser. In addition, the Committee has discussions throughout the year outside of the formal Committee meetings.

Activities**Relationship with the Auditor**

The Committee has primary responsibility for managing the relationship with the Auditor, including assessing their performance, effectiveness and independence annually as well as recommending to the Board their reappointment or removal.

BDO LLP ("BDO") were appointed as the Group's Auditor in 2017 and we are recommending they are re-appointed at the forthcoming AGM. Under the Company's interpretation of the transitional arrangements for mandatory audit rotation, the Company will be required to put the external audit out for tender in the financial year ended 30 June 2028.

Charles Ellis has taken on the role as audit partner from Thomas Edward Goodworth for the current year end and, in line with the policy on lead partner rotation, is expected to rotate off the audit ahead of the 2028 audit.

The Committee has met with the key members of the audit team over the course of the year and BDO has formally confirmed its independence as part of the reporting process. As Chair of the Committee, I regularly speak with the external audit partner without the Investment Adviser present to ascertain if there are any concerns, to discuss the audit reports and to ensure that the Auditor has received the support and information requested from management. There have been no concerns identified to date.

The Company became a constituent of the FTSE 350 on 20 June 2022 and confirms that it has complied with the terms of The Statutory Audit Services for Large Companies Market Investigation (Mandatory User of Competitive Tender Processes and Audit and Risk Committee Responsibilities) Order 2014 (the "Order") throughout the year.

Effectiveness and independence

We meet with the Auditor and the Investment Adviser before the preparation of the Annual results, to plan and discuss the scope of the audit, and challenge where necessary to ensure its rigour. At these meetings the Auditor prepares a detailed audit plan which is discussed and questioned by us and the Investment Adviser to ensure that all areas of the business are adequately reviewed and the materiality thresholds are set at the appropriate level, which varies depending on the matter in question. We also discuss with the Auditor its views over significant risk areas and why it considers these to be risk areas.

The Audit and Risk Committee, where appropriate, continues to challenge and seek comfort from the Auditor over those areas which drive audit quality. The timescale for the delivery of the audit or review is also set at these meetings. We meet with the Auditor again just prior to the conclusion of the audit or review to consider, challenge and evaluate findings in depth.

We have considered the objectivity and effectiveness of the Auditor and we consider that the audit team assigned to the Company by BDO has the necessary experience, qualifications and understanding of the business to enable it to produce a detailed, high-quality, in-depth audit and permits the team to scrutinise and challenge the Company's financial procedures and significant judgements. We ask the Auditor to explain the key audit risks and how these have been addressed. We also considered BDO's internal quality control procedures and transparency report and found them to be sufficient. Overall, the Committee is satisfied that the audit process is transparent and of good quality and the Auditor has met the agreed audit plan.

Audit and non-audit fees

We continue to believe that, in some circumstances, the external Auditor's understanding of the Company's business can be beneficial in improving the efficiency and effectiveness of advisory work. For this reason, we continue to engage BDO as reporting accountants on the Company's issues of equity and debt capital in the normal course of the Company's business. Other reputable firms have been engaged during the year to assist with financial and tax due diligence on corporate acquisitions as well as general tax compliance advice.

The Non-Audit Services Policy requires approval by the Committee above a certain threshold before the external Auditor is engaged to provide any permitted non-audit services. The Company paid £103,000 in fees to the Auditor for non-audit services during the year ended 30 June 2023. These fees are set out below.

Service	Fee (£)
Corporate finance services in connection with work performed on prospectus opinions	65,000
Interim Review	38,000
Total	103,000

The ratio of non-audit fees to audit fees for the year ended 30 June 2023 was 29%.

The Committee periodically monitors the ratio to ensure that any fees for permissible non-audit services do not exceed 70% of the average audit fees paid in the last three years.

In addition to ensuring compliance with the Group's policy in respect of non-audit services, the Committee also receives confirmation from BDO that it remains independent and has maintained internal safeguards to ensure its objectivity.

Financial reporting and significant judgements

We monitor the integrity of the financial information published in the Interim and Annual Reports and any other formal announcement relating to financial performance. We consider whether suitable and appropriate estimates and judgements have been made in respect of areas which could have a material impact on the financial statements.

A variety of financial information and reports were prepared by the Investment Adviser and provided to the Board and to the Committee over the course of the year. These included budgets, periodic re-forecasting following acquisitions or corporate activity, papers to support raising of additional finance and general compliance.

We also regularly review the Company's ability to continue to pay a progressive dividend. All financial information was fully reviewed and debated both at Committee and Board level across a number of meetings. The Investment Adviser and the Auditor update us on changes to accounting policies, legislation and best practice and areas of significant judgement by the Investment Adviser. They pay particular attention to transactions which they deem important due to size or complexity.

The significant issues considered by the Committee in respect of the year ended 30 June 2023, which contained a significant degree of estimation uncertainty, are set out in the table below.

Significant issue**How the issue was addressed**

Valuation of property portfolio

Cushman and Wakefield have been engaged to value, on a bi-annual basis, both the Company's direct property investments and the underlying properties within the joint venture. The Group's Direct Portfolio value as at 30 June 2023 was £1.69 billion (30 June 2022: £1.57 billion) reflecting a valuation decline, net of costs, of 14% for the year on a like-for-like basis.

The valuation of the Group's property portfolio is a key determinant of the Group's net asset value as well as directly impacting the fee payable to the Investment Adviser.

The valuation is conducted externally by independent valuers, however, the nature of the valuation process is inherently subjective due to the assumptions made in determining market comparable yields and estimated rental values.

The Audit and Risk Committee met with the valuer on two occasions, together with the Investment Adviser and external auditor in January and August to review the valuation included within the half-year and year-end financial statements. This review included the valuation process undertaken, changes in market conditions, recent transactions in the market and how these impacted our Portfolio and the valuer's expectations in relation to future rental growth and yield movement. The Committee asked the valuer to highlight significant judgements or disagreements with the Investment Adviser during the valuation process to ensure a robust and independent valuation had taken place.

The Auditor, BDO, reviewed the underlying assumptions using its real estate experts and provided the Audit and Risk Committee with a summary of its work as part of its report on the half-year and year end results.

As a result of these reviews, the Committee concluded that the valuation had been carried out appropriately and independently. The Board approved the valuations in February 2023 and September 2023 in respect of the interim and annual valuations.

Acquisition and disposal of Joint Venture Interests

In January 2023 the Group acquired an additional interest in its joint venture, Horner (Jersey) LP. In acquiring this additional interest, the Group increased its joint venture interest in the Sainsbury's Reversion Portfolio to 51%.

The evaluation of whether the acquisition should be accounted for as an asset acquisition or a business combination was an area of significant judgement.

In March 2023, the Group subsequently disposed of its entire interest in the Sainsbury's Reversion Portfolio for gross proceeds of £430.9 million, of which £136.8 million remained outstanding at the year end as shown in Note 17.

The determination of the fair value of the contractual receivable at the point of disposal was an additional area of judgement in accounting for the disposal transaction.

The Audit and Risk Committee reviewed the Investment Adviser's assessment of the accounting for the acquisition transaction which included the basis for treating the acquisition as an asset acquisition.

As Audit and Risk Chair, I had a meeting with the Investment Adviser, where we discussed the appropriateness of the calculation of the fair value applied in arriving at the fair value of the contractual receivable. The discount rate used was considered appropriate given the underlying facts and circumstances of the transaction.

The Auditor, BDO, has also reviewed the key judgements applied and provided the Audit and Risk Committee with a summary of its work as part of its report on the year end results.

Following the above reviews, the Committee concluded that the acquisition and disposal had been appropriately accounted for.

Internal audit function

The Group does not have an internal audit function. The need for this is reviewed annually by the Committee. Due to the relative lack of complexity and the outsourcing of the majority of the day to-day operational functions, the Committee continues to be satisfied that there is no requirement for such a function.

Fair, balanced and understandable financial statements

The production and audit of the Group's Annual Report is a comprehensive process, requiring input from a number of contributors. To reach a conclusion on whether the Annual Report is fair, balanced and understandable, as required under the AIC Code, the Board has requested that the Committee advise on whether it considers that the Annual Report fulfils these requirements. In outlining our advice, we have considered the following:

- The comprehensive documentation that outlines the controls in place for the production of the Annual Report, including the verification processes to confirm the factual content
- The detailed reviews undertaken at various stages of the production process by the Investment Adviser, AIFM, Company Secretary, Financial Advisers, Auditor and the Committee, which are intended to ensure consistency and overall balance
- Controls enforced by the Investment Adviser, Company Secretary and other third-party service providers, to ensure complete and accurate financial records and security of the Company's assets

- The Investment Adviser has a highly experienced team who have a strong proficiency in producing financial statements

As a result of the work performed, we have concluded and reported to the Board that the Annual Report for the year ended 30 June 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Risk management and internal controls

The Board oversees the Group's risk management and internal controls and determines the Group's risk appetite. The Board has, however, delegated responsibility for review of the risk management methodology and the effectiveness of internal controls to the Audit and Risk Committee. The Group's system of internal controls includes financial, operational and compliance controls and risk management. Policies and procedures, including clearly defined levels of delegated authority, have been communicated throughout the Group.

Internal controls are implemented by the Investment Adviser in respect of the key operational and financial processes of the business. These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of the financial statements.

As part of the migration of the Company to the Premium Segment of the London Stock Exchange, a Board Memorandum was prepared that documented the financial position and prospects procedures (“FPPP”) of the Company. This Memorandum was independently reviewed by an external accountancy firm and no major deficiencies were identified, which provided the Committee with additional comfort that the Group’s system of internal controls remained fit for purpose and robust. We have confirmed with the Investment Adviser that there have been no changes to controls since those documented within that report.

During the year, I also performed a review and walk through of the key systems and controls in place at the Investment Adviser which I found to be suitable for a Company of our size.

Risk register

During the year, the Audit and Risk Committee reviewed the Group’s risk register, which is maintained by the AIFM in conjunction with the Investment Adviser and is subject to the supervision and oversight of the Committee. A summary of the risk register is also reviewed at least bi-annually by the Board.

We have reviewed and approved all statements included in the Annual Report concerning internal controls and risk management taking into consideration the review of the risk register and our assessment of the Group’s internal controls and knowledge of the business.

We have also reviewed the adequacy of the Company’s arrangements for any relevant party to raise concerns, in confidence, about possible wrongdoing in financial reporting, regulatory or other relevant matters and the procedures of both the Company’s AIFM and Investment Adviser for detecting fraud and preventing bribery. We consider that they are appropriate.

Committee effectiveness

I believe that the quality of discussion and level of challenge by the Committee with the Investment Adviser, the external audit teams and the valuer, together with the timeliness and quality of papers received by the Committee, ensures the Committee is able to perform its role effectively.

Details of the performance evaluation conducted during the year can be found on page 79.

Signed on behalf of the Audit and Risk Committee by

Jon Austen

Audit and Risk Committee Chair

19 September 2023

Dear Shareholders

I am pleased to present the Management Engagement Committee report for the year ended 30 June 2023.

How the Committee operates

The Management Engagement Committee Terms of Reference are available on the Company's website and on request from the Company's registered office.

During the period to 30 June 2023, the Committee comprised of six Independent Non-Executive Directors of the Company, none of which are connected to the AIFM or Investment Adviser.

Committee Members

Nick Hewson, Committee Chair

Jon Austen

Frances Davies

Vince Prior

Sapna Shah (appointed 29 March 2023)

Cathryn Vanderspar

All of the Committee members served for the full year, unless otherwise stated. Following a review of Committee membership post year end, effective 1 July 2023, Sapna Shah was appointed as Committee Chair, with the membership otherwise remaining unchanged. Sapna's knowledge and experience positions her well to act as Chair of the Management Engagement Committee.

During the year, the Management Engagement Committee held one formal meeting. The Company Secretary and I ensure that the meetings are of sufficient length to allow the Committee to consider all important matters and the Committee is satisfied that it receives full information in a timely manner to allow it to fulfil its obligations.

Members of the Investment Adviser were invited to attend the Committee meetings. Hanway Advisory Limited as Company Secretary acts as secretary to the Committee.

Responsibilities

The main function of the Management Engagement Committee is to review the compliance, by the Investment Adviser and the AIFM with the Company's investment policy and their performance of the duties detailed in their agreements with the Company.

The Committee will regularly review the composition of the key executives performing the services on behalf of the Investment Adviser and monitor and evaluate the performance of other key service providers to the Company.

The Management Engagement Committee has been in operation throughout the period and operates within clearly defined terms of reference.

Activities

During the year the Committee reviewed the performance of the Investment Adviser and AIFM and recommended to the Board, the continued appointment of the Investment Adviser and AIFM. The Committee also considered the performance of key service providers to the Company. Where appropriate, feedback was provided to the Investment Adviser, AIFM and key service providers to enhance the level of service provided to the Company.

Management Arrangements

The Company operates an externally managed alternative investment fund for the purposes of the AIFMD. In its role as AIFM, JTC Global AIFM Solutions Limited is responsible for the portfolio management and risk management of the Company pursuant to the AIFMD, subject to the overall control and supervision of the Board. Atrato Capital Limited acts as the Company's Investment Adviser.

Under the Investment Advisory Agreement, the Investment Adviser is entitled to receive advisory fees on the following basis:

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 uninvested 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 £1,500 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, 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 and 1/12th of 0.4875% per calendar month of Adjusted Net Asset Value above £1,000 and up to or equal to £1,500 million.
- Semi-Annual Management Fee payable semi-annually in arrears: 0.11875% of Adjusted Net Asset Value up to or equal to £500 million, 0.09375% of Adjusted Net Asset Value above £500 million and up to or equal to £1,000 million and 0.08125% of Adjusted Net Asset Value above £1,000 million and up to or equal to £1,500 million.

The annual fee paid to the Investment Adviser under the Investment Advisory Agreement for the year ended 30 June 2023 was £10.3 million (30 June 2022: £9.4 million).

The Investment Advisory Agreement may be terminated by the Investment Adviser or the Company with no less than two years written notice.

During the year under review the AIFM was 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. With effect from 1 April 2022, the AIFM reduced its fees on the net asset value of the Company over £1 billion to 0.03% of the net asset value over £1 billion. The total fees paid to the AIFM during the year under review were £480,763.62.

During the financial year under review, no separate remuneration was paid by the AIFM to two of its executive directors, Graham Taylor and Kobus Cronje, because they were both employees of the JTC group of companies, of which the AIFM forms part. The third executive director, Matthew Tostevin, is paid a fixed fee of £10,000 for acting as a director. Mr Tostevin is paid additional remuneration on a time spent basis for services rendered to the AIFM and its clients. Other than the directors, the AIFM has no employees. The Company has no agreement to pay any carried interest to the AIFM. During the year under review, the AIFM paid £10,000 in fixed fees and £43,478.75 in variable remuneration to Mr Tostevin.

Further information on the AIFM's remuneration can be found in the Alternative Investment Fund Manager's Report on pages 95 to 96.

Continuing Appointment of the Investment Adviser and AIFM

The Management Engagement Committee has reviewed the continuing appointment of the Investment Adviser and AIFM and are satisfied that their appointment remained in the best interests of shareholders as a whole.

Committee effectiveness

Given that the Management Engagement Committee was established at the beginning of the financial year, its effectiveness was not reviewed as part of the performance evaluation undertaken. A review will be undertaken this year, as part of the performance evaluation process.

Signed on behalf of the Management Engagement Committee by

Nick Hewson

Management Engagement Committee Chair

19 September 2023

Dear Shareholders

I am pleased to present the ESG Committee report for the year ended 30 June 2023.

How the Committee operates

The ESG Committee Terms of Reference are available on the Company's website and on request from the Company's registered office.

The Committee comprised of six Independent Non-Executive Directors of the Company, none of which are connected to the AIFM, or Investment Adviser.

Committee Members

Frances Davies, Chair of the Committee

Jon Austen

Nick Hewson

Vince Prior

Sapna Shah (appointed 29 March 2023)

Cathryn Vanderspar

All of the Committee members served for the full year, unless otherwise stated. Following a review of Committee membership post year end, effective 1 July 2023, the Committee now comprises Frances Davies as Chair, Cathryn Vanderspar and Nick Hewson.

Members of the Investment Adviser and AIFM were invited to attend the Committee meetings. Hanway Advisory Limited as Company Secretary acts as secretary to the Committee.

During the year, the ESG Committee held its inaugural meeting. The Company Secretary and I ensure that the meetings are of sufficient length to allow the Committee to consider all important matters and the Committee is satisfied that it receives full information in a timely manner to allow it to fulfil its obligations.

Committee effectiveness

As the Committee was established on 1 July 2022, an evaluation of the Committee's effectiveness has not yet been conducted and will be completed in the year ending 30 June 2024.

Responsibilities

The Committee serves as an independent and objective party to monitor the integrity and quality of the Company's ESG strategy, to ensure that the Company's ESG strategy is integrated into its business plan, corporate values and objectives and serves to foster a culture of responsibility and transparency and to review and approve the Company's annual reporting in relation to ESG.

The Committee's other key responsibilities include:

- Overseeing the establishment and implementation of policies and codes of practice
- Set KPI's related to ESG matters and oversee the performance against those KPI's
- Identify the required resourcing and funding of ESG-related activity
- Oversee the Company's engagement with its broader stakeholder community
- Ensure the Company monitors and reviews current and emerging ESG trends, relevant international standards and legislative requirements and identify how those are likely to impact upon the Company

The Committee focuses on the following three areas:

Environmental: the Company's impact on the natural environment and its response to the challenge of climate change including; greenhouse gas emissions, energy consumption, generation and use of renewable energy, biodiversity and habitat, impact on water resources and deforestation, pollution, efficient use of resources, the reduction and management of waste, and the environmental impact of the Company's supply chain.

Social: the Company's interaction with stakeholders and the communities in which it operates and the role of the Company in society including; board policies (e.g. stakeholder engagement, diversity, non-discrimination and equality of treatment, health safety and well-being), ethical/responsible sourcing and social aspects and labour standards of the supply chain (including child labour and modern slavery), and engagement with and contribution to the broader community through social projects and charitable donations.

Corporate Governance and Behaviour: the ethical conduct of the Company's business including its corporate governance framework, business ethics, policies, and codes of conduct (e.g. related to donations and political lobbying, bribery and corruption), and the transparency of non-financial reporting.

Activities

During the year we held our inaugural meeting at which we considered the Company's progress against the commitments we made last year.

Further details on the Company's progress against these and its commitments for the next financial year are provided in the TCFD report on pages 35 to 50 and the Company's Sustainability report.

I look forward to updating you on our progress with our sustainability strategy in our next report.

Signed on behalf of the ESG Committee by

Frances Davies

ESG Committee Chair

19 September 2023

Dear Shareholders

I am pleased to present the Remuneration Committee report for the year ended 30 June 2023.

How the Committee operates

The Remuneration Committee Terms of Reference are available on the Company's website and on request from the Company's registered office.

Our Committee comprised of six Independent Non-Executive Directors of the Company, none of which are connected to the AIFM, or Investment Adviser.

Committee Members

Cathryn Vanderspar: Committee Chair

Jon Austen

Frances Davies

Nick Hewson

Vince Prior

Sapna Shah (appointed 29 March 2023)

All the Committee members served for the full year, unless otherwise stated. Following a review of Committee membership post year end, effective 1 July 2023, the Committee now comprises Cathryn Vanderspar as Chair, Frances Davies and Jon Austen.

During the year, the Remuneration Committee held two formal meetings. The Company Secretary and I ensure that the meetings are of sufficient length to allow the Committee to consider all important matters and the Committee is satisfied that it receives full information in a timely manner to allow it to fulfil its obligations.

Members of the Investment Adviser were invited to attend the Committee meetings. Hanway Advisory Limited as Company Secretary also attended as secretary to the Committee.

The Committee determines the level of Non-Executive Directors' remuneration. A benchmarking exercise was undertaken in the year. The Committee reviewed the benchmarking and, taking into account also the wider market considerations, in consultation with the Investment Adviser and the brokers, concluded that there would be no changes to Directors' remuneration for the year ending 30 June 2024, with the exception of the introduction of a fee of £5,000 per annum for the Chair of the Management Engagement Committee, to reflect the time commitment required for that role. As discussed on page 63 of the 2022 Annual Report, the Directors' remuneration was increased from 1 July 2022, following a benchmarking exercise undertaken in the prior year.

Full details of the Group's policy with regards to Directors' remuneration paid during the year ended 30 June 2023 are shown below.

Committee Responsibilities

The main responsibilities of the Remuneration Committee, which apply as necessary to the Company, its subsidiary undertakings and the Group as a whole, are to:

- Set the remuneration policy for the Board and the Company's Chair
- Review the ongoing appropriateness and relevance of the remuneration policy
- Agree the policy for authorising claims for expenses for the Directors

In determining Remuneration Policy, the Remuneration Committee takes into account all factors which it deems necessary, including the Company's strategy and the risk environment in which it operates, relevant legal and regulatory requirements, the provisions and recommendations of the AIC Code considered to be relevant, and associated guidance. In order to obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity, the Remuneration Committee may appoint remuneration consultants and commission or purchase any reports, surveys or information which it deems necessary, at the expense of the Company but within any budgetary constraints imposed by the Board.

The Committee is responsible for appropriately managing Directors' conflicts of interests. Directors' other interests have been disclosed. No conflicts have been identified during the year. If a conflict were to be identified, the Committee would take the appropriate steps to resolve and manage such conflicts appropriately.

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of appointment, and these are available for inspection at the Company's registered office. Each Director is appointed for an initial three-year term subject to annual re-election at the Company's AGM. Directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. The Directors appointments can be terminated at no notice in accordance with the terms of the letters of appointment without compensation for loss of office.

Committee effectiveness

Details of the performance evaluation conducted during the year can be found on page 79.

Signed on behalf of the Remuneration Committee by

Cathryn Vanderspar

Remuneration Committee Chair

19 September 2023

DIRECTORS' REMUNERATION POLICY

The Company's policy is to determine the level of Directors' fixed annual fees in accordance with its Articles of Association.

When setting the level of Directors' fees, the Company will have due regard to the experience of the Board as a whole, the time commitment required, the responsibilities of the role and to be fair and comparable to non-executive directors of similar companies.

Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. The Company may also periodically choose to benchmark Directors' fees with an independent review, to ensure they remain fair and reasonable.

Directors' fees are reviewed annually and will be adjusted from time to time, as may be determined by the board under the Articles of Association and this policy. In terms of the Company's Articles of Association, the aggregate remuneration of all the directors shall not exceed £500,000 per annum but this may be changed by way of ordinary resolution.

The Directors are also entitled to be paid their reasonable expenses incurred in undertaking their duties.

Additional Directors' fees may be paid by the Company where Directors are involved in duties beyond those normally expected as part of the Directors' appointment. In such instances, where additional remuneration is paid, the Board will provide details of the events, duties and responsibilities that gave rise to any additional directors' fees in the Company's annual report.

No element of the Directors' remuneration is performance related, nor does any director have any entitlement to pensions, share options or any long-term incentive plans from the Company. Directors' fees are payable in cash, monthly in arrears.

The Directors hold their office in accordance with the Articles of Association and their appointment letters. No Director has a service contract with the Company, nor are any such contracts proposed. The directors' appointments can be terminated in accordance with the Articles of Association and without compensation.

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 with Provision 23 of the AIC Code requiring all Directors to be subject to annual election. All Directors retire at each Annual General Meeting and those eligible and wishing to serve again offer themselves for election.

ANNUAL REPORT ON DIRECTORS' REMUNERATION

Directors' Fees

The Committee considers the level of Directors' fees at least annually. Reviews of Directors' fees take place in each financial year, with any changes being applicable from the start of the next financial year. The remuneration of the Directors was benchmarked during the year ended 30 June 2023. Following consultation with the Investment Adviser and the brokers, the Committee concluded that the Directors' remuneration remains unchanged with the exception of the introduction of a fee of £5,000 per annum for the Chair of the Management Engagement Committee to reflect the time commitment required for that role. There are no further changes to the Director's remuneration for this year. In aggregate, total fees remain under the limit set out in the governing documents as set out below.

	Revised fee per annum from 1 July 2023	Fee per annum year ended 30 June 2023
Chair	£75,000	£75,000
Non-Executive Directors ("NED"s)	£52,500	£52,500
Senior Independent Director (SID)*	£5,000	£5,000
Audit Committee Chair*	£9,000	£9,000
Remuneration Committee Chair*	£5,000	£5,000
Nomination Committee Chair*	£4,000	£4,000
Management Engagement Committee Chair*	£5,000	-
Environmental, Social, and Governance Committee Chair*	£5,000	£5,000

*No additional fee is payable for Committee Chair positions undertaken by the Chair of the Board

Directors' emoluments – single total figure table (audited)

The Directors who served during the year received the following emoluments, all of which was in the form of fees. No Directors received any expenses.

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000	Fixed Remuneration (both years) %	Annual percentage change since 30 June 2022 ⁽¹⁾ %
Nick Hewson	75	70	100	7
Jon Austen	62	58	100	7
Vince Prior	62	58	100	7
Cathryn Vanderspar	58	55	100	5
Frances Davies	58	4	N/A	N/A
Sapna Shah*	18	N/A	N/A	N/A

(1) Or date of appointment, if later.

* Appointed 1 March 2023

Relative importance of spend on pay

The table below sets out, in respect of the year ended 30 June 2023:

- The remuneration paid to the Directors
- The management fee and expenses which have been included to give shareholders a greater understanding of the relative importance of spend on pay
- Distributions to shareholders by way of dividend to provide a comparison of the shareholders' returns against Directors' remuneration

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000	Variance year on year %
Directors' fees	330	245	36%
Management fee and expenses	10,292	9,405	9%
Dividends paid	74,328	53,190	40%

Directors' fees as a percentage of	Year ended 30 June 2023 %	Year ended 30 June 2022 %
Management fee and expenses	3.2	2.6
Dividends paid	0.44	0.46

Directors' shareholdings (audited)

The Directors (and their PCA's) had the following beneficial interests in the issued ordinary share capital of the Company as at 30 June 2023 and at the date of this report:

Directors	As at the date of this report	As at 30 June 2023
Nick Hewson	1,263,309	1,263,309
Jon Austen	305,339	305,339
Vince Prior	213,432	213,432
Cathryn Vanderspar	125,802	125,802
Frances Davies	36,774	24,774
Sapna Shah	28,951	28,951

The Company does not oblige the Directors to hold shares in the Company, but this is encouraged to ensure the appropriate alignment of interests.

Group performance – Total Shareholder Return

The Board is responsible for the Group's investment strategy and performance, whilst the management of the investment portfolio is delegated to the AIFM. The AIFM has, in turn, delegated certain services, including but not limited to advice on acquisitions and financing, to the Investment Adviser. The graph below compares, for the period from our IPO in June 2017 to 30 June 2023, the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the FTSE All-Share Index. This index was chosen as it is considered an indicative measure of the expected return from an equity stock. An explanation of the performance of the Group for the year ended 30 June 2023 is given in the Strategic Report.

FTSE All Share vs The Company



It is a company law requirement to compare the performance of the Group's share price to a single broad equity market index on a total return basis. However, it should be noted that constituents of the comparative index used above are larger in size than the Group. The Group does not have a benchmark index.

Consideration of shareholder views

The Company is committed to engagement with shareholders and will seek major shareholders' views in advance of making significant changes to its remuneration policy and how it is implemented. The Chair of the Remuneration Committee attends the AGM to hear the views of shareholders on remuneration and to answer any questions.

The Directors' Remuneration Policy was approved by shareholders at the 2021 AGM with 99.98% of the votes cast being in favour of the resolution. The Directors' remuneration report for the year ended 30 June 2022 was approved by the shareholders at the 2022 AGM with 99.99% of the votes cast being in favour. The Remuneration Policy is subject to a binding vote at the 2024 AGM.

Voting at Annual General Meeting

An Ordinary Resolution to approve the Director's Remuneration Report will be put to shareholders at the Company's AGM and shareholders will have the opportunity to express their views and raise any queries in respect of the Director's Remuneration Report at this meeting.

This Directors' Remuneration Report is approved on behalf of the Board by

Cathryn Vanderspar

Remuneration Committee Chair

19 September 2023

The Directors present their report together with the audited financial statements for the year ended 30 June 2023. The Corporate Governance Statement on pages 76 to 77 forms part of this report.

Principal activities and status

The Company is registered as a UK 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 were traded during the year on the Premium List of the London Stock Exchange's Main Market. The Group has entered the Real Estate Investment Trust regime for the purposes of UK taxation.

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

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.

In respect of the 30 June 2023 financial year, the Company has declared the following interim dividends amounting to 6.00 pence per share (2022: 5.94 pence per share).

Relevant Period	Dividend per share (pence)	Ex-dividend date	Record date	Date paid
Quarter ended 30 September 2022	1.50	6 Oct 2022	7 Oct 2022	16 Nov 2022
Quarter ended 31 December 2022	1.50	19 Jan 2023	20 Jan 2023	23 Feb 2023
Quarter ended 31 March 2023	1.50	20 Apr 2023	21 Apr 2023	26 May 2023
Quarter ended 30 June 2023	1.50	13 Jul 2023	14 Jul 2023	4 Aug 2023

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, predominantly inflation-protected, long-term lease agreements.

Directors

The names of the Directors who served in the year ended 30 June 2023 are set out in the Board of Directors section on pages 66 to 67 together with their biographical details and principal external appointments.

Powers of Directors

The Board will manage the Company's business and may exercise all the Company's powers, subject to the Articles, the Companies Act and in certain circumstances, are subject to the authority being given to the Directors by shareholders in general meeting.

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. It also sets up the Group's strategic aims, ensuring that the necessary resources are in place for the Group to meet its objectives and review investment performance. The Board also sets the Group's values, standards and culture. Further details on the Board's role can be found in the Corporate Governance Report on pages 70 to 73.

Appointment and replacement of Directors

All Directors were elected or re-elected at the AGM on 17 November 2022, with the exception of Sapna Shah who was appointed to the Board on 1 March 2023. In accordance with the AIC Corporate Governance Code, all the Directors will retire and those who wish to continue to serve will offer themselves for election or re-election at the forthcoming Annual General Meeting.

Directors' indemnity

The Company maintains £30 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 £35 million on 17 July 2023 and continues in effect at the date of this report.

Significant shareholdings

The table below shows the interests in shares notified to the Company in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority who have a disclosable interest of 3% or more in the ordinary shares of the Company as at 30 June 2023.

	Number of shares	Percentage of issued share capital
Blackrock Inc.	68,196,517	5.46%
Schroders Plc	63,131,941	5.08%
Quilter Plc	62,058,617	4.99%
Ameriprise Financial, Inc.	61,728,272	4.98%
Waverton Investment Management Limited	46,422,935	3.79%

Since the year end, and up to 19 September 2023, the Company has not received any further notifications of changes of interest in its ordinary shares in accordance with DTR 5. The information provided is correct as at the date of notification.

Donations and contributions

The Group made no political or charitable donations during the year (2022: none).

Branches outside the UK

The Company has no branches outside the UK.

Financial risk management

The Group's exposure to, and management of, capital risk, market risk and liquidity risk is set out in note 21 to the Group's financial statements.

Amendments to the Articles

The Articles may only be amended with shareholders' approval in accordance with the relevant legislation.

Employees

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

Anti-bribery policy

The Company has a zero-tolerance policy towards bribery and is committed to carrying out its business fairly, honestly and openly. The anti-bribery policies and procedures apply to all its Directors and to those who represent the Company.

Human Rights

The Company has a zero-tolerance approach to modern slavery and human trafficking and is committed to ensuring its organisation and business partners operate with the same values. The Company's modern slavery and human trafficking statement can be found on the Company's website.

Research and development

No expenditure on research and development was made during the period.

Related party transactions

Related party transactions for the year ended 30 June 2023 can be found in note 27 of the financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held on 7 December 2023.

Greenhouse gas emissions

As a listed entity, the Company is required to comply with the Streamlined Energy and Carbon Reporting (SECR) regulations under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Information regarding emissions arising from the Group's activities are included within the TCFD aligned report on pages 35 to 50.

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.

Significant agreements

The Company entered into a new unsecured borrowing facility on 1 July 2022 provided by a syndicate of lenders. The facility includes provisions that may require any outstanding borrowings to be repaid or the alteration or termination of the facilities in the event of a change of control at the ultimate parent company level.

There are no agreements with the Company or a subsidiary in which a Director is or was materially interested or to which a controlling shareholder was party.

Share capital structure

As at 30 June 2023, the Company's issued share capital consisted of 1,246,239,185 ordinary shares of one penny each, all fully paid and listed on the Premium List of the London Stock Exchange's Main Market. Further details of the share capital, including changes throughout the year are summarised in note 22 of the financial statements.

Subject to authorisation by Shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. At the Annual General Meeting held in 2022, shareholders authorised the Company to make market purchases of up to 186,140,810 Ordinary Shares. The Company has not repurchased any of its ordinary shares under this authority, which is due to expire at the AGM in 2023 and appropriate renewals will be sought.

There are no restrictions on transfer or limitations on the holding of the ordinary shares. None of the shares carry any special rights with regard to the control of the Company. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers and voting rights.

Post balance sheet events

For details of events since the year end date, please refer to note 28 of the consolidated financial statements.

Corporate Governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 76 to 77 of this Annual Report. The Corporate Governance Report forms part of this directors' report and is incorporated into it by cross-reference.

Information included in the strategic report

The information that fulfils the reporting requirements relating to the following matters can be found on the pages identified.

Subject matter	Page reference
Likely future developments	15 to 22

Signed by order of the Board on 19 September 2023

Nick Hewson

Chair

19 September 2023

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

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

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business
- Prepare a Directors' Report, a Strategic Report, Directors' Remuneration Report and Corporate Governance Statement which comply with the requirements of the Companies Act 2006

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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

Responsibility Statement

The Directors confirm to the best of their knowledge:

- The Group financial statements prepared in accordance with UK adopted international accounting standards and the Company financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group
- The Annual Report and Accounts include a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face
- The Annual Report and Accounts taken as whole, is fair, balanced and understandable and the information provided to shareholders is sufficient to allow them to assess the Group's performance, business model and strategy

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

Nick Hewson

Chair

19 September 2023

Background

The Alternative Investment Fund Managers 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 Alternative Investment Fund Manager (a "Non-EU AIFM"), the Company is a non-EU Alternative Investment Fund (a "Non-EU AIF") and the Company is marketed primarily into the UK, but also into the EEA. 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 1 October, 2021, save as updated in the supplementary prospectus dated 7 April, 2022, as disclosed below and in certain sections of the Strategic Report, those being the Chair's Statement, Investment Adviser's Interview, The UK Grocery Market, TCFD Compliant Report, Our Principal Risks and the Section 172(1) Statement, together with the Corporate Governance Reports in this annual financial report.

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 (Our Principal Risks), the Audit and Risk Committee Report and in the Directors' Report.

3. Leverage and borrowing

The Company is entitled to employ leverage in accordance with its investment policy and as described in the Chair's Statement, the sections entitled "Financial Highlights" and "Financial Overview" in the Strategic Report and in the notes to the financial statements. Other than as disclosed therein, there were no changes in the Company's borrowing powers and policies.

4. Environmental, Social and Governance (ESG) Issues and Regulation (EU) 2019/2099 on Sustainability-Related Disclosures in the Financial Services Sector (the "SFDR")

As a member of the JTC group of Companies, the AIFM's ultimate beneficial owner and controlling party is JTC Plc, a Jersey-incorporated company whose shares have been admitted to the Official List of the UK's Financial Conduct Authority and to trading on the London Stock Exchange's Main Market for Listed Securities (mnemonic JTC LN, LEI 213800DVUG4KLF2ASK33). In the conduct of its own affairs, the AIFM is committed to best practice in relation to ESG matters and has therefore adopted JTC Plc's ESG framework, which can be viewed online at <https://www.jtcgroup.com/esg/>. JTC Plc's sustainability report can also be viewed online at <https://www.jtcgroup.com/investor-relations/annual-review/>.

As at the date of this report, JTC Plc is a signatory of the U.N. Principles for Responsible Investment. The JTC group is also carbon neutral and works to support the achievement of ten of the U.N.'s Sustainable Development Goals. JTC Plc reports under TCFD and under the SASB framework.

From the perspective of the SFDR, although the AIFM is a non-EU AIFM, the Company is marketed into the EEA, so that the AIFM is required to comply with the SFDR in so far as it applies to the Company and the AIFM's management of the Company, which the Company has classified as being within the scope of Article 6 of the SFDR.

The AIFM and Atrato Capital Limited ("Atrato") as the Company's Alternative Investment Fund Manager and Investment Adviser respectively do consider ESG matters in their respective capacities, as explained in SUPR's prospectus dated 1 October, 2021, as updated by SUPR's supplementary prospectus dated 7 April, 2022. Copies of both of those documents can be viewed on the AIFM's website at <https://jtcglobalaifmsolutions.com/clients/supermarket-income-reit-plc/>.

Since the publication of those documents, the AIFM, Atrato and the Company have continued to enhance their collective approach to ESG matters and detailed reporting on (a) enhancements made to each party's policies, procedures and operational practices and (b) our collective future intentions and aspirations is included in the TCFD Compliant Report included in the Strategic Report and the ESG Committee Report in this annual financial report. The Company is also publishing a separate Sustainability Report on its website.

The AIFM also has a comprehensive risk matrix (the "Matrix"), which is used to identify, monitor and manage material risks to which the Company is exposed, including ESG and sustainability risks, the latter being an environmental, social or governance event or condition that, if it occurred, could cause an actual or a potential material negative impact on the value of an investment. We also consider sustainability factors, those being environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The AIFM is cognisant of the announcement published by H.M. Treasury in the UK of its intention to make mandatory by 2025 disclosures aligned with the recommendations of the Task Force on Climate-related Financial Disclosures, with a significant proportion of disclosures mandatory by 2023. The AIFM also notes the roadmap and interim report of the UK's Joint Government-Regulator TCFD Taskforce published by H.M. Treasury on 9 November, 2020. The AIFM continues to monitor developments and intends to comply with the UK's regime to the extent either mandatory or desirable as a matter of best practice.

5. Remuneration of the AIFM's Directors and Employees

During the financial year under review, no separate remuneration was paid by the AIFM to two of its executive directors, Graham Taylor and Kobus Cronje, because they were both employees of the JTC group of companies, of which the AIFM forms part. The third executive director, Matthew Tostevin, is paid a fixed fee of £10,000 for acting as a director. Mr Tostevin is paid additional remuneration on a time spent basis for services rendered to the AIFM and its clients. Other than the directors, the AIFM has no employees. The Company has no agreement to pay any carried interest to the AIFM. During the year under review, the AIFM paid £10,000 in fixed fees and £43,478.75 in variable remuneration to Mr Tostevin.

6. Remuneration of the AIFM Payable by the Company

The AIFM was during the year under review paid a fee of 0.04% *per annum* of the net asset value of the Company up to £1 billion and 0.03% of the Company's net asset value in excess of £1 billion, 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 £480,763.62.

JTC Global AIFM Solutions Limited

Alternative Investment Fund Manager

19 September 2023

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Supermarket Income REIT Plc (the 'Parent Company') and its subsidiaries (the Group) for the year ended 30 June 2023 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Directors in June 2017 to audit the financial statements for the 13-month period ended 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 6 years, covering the years ended 2018 to 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Using our knowledge of the Group and its market sector together with the current economic environment to assess the Directors' identification of the inherent risks to the Group's business and how these might impact the Group's ability to remain a going concern for the going concern period, being the period to 30 September 2024, which is at least 12 months from when the financial statements are authorised for issue;
- Obtaining an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;
- We have reviewed the forecasts that support the Directors' going concern assessment and:
 - Challenging the Investment Adviser's forecast assumptions in comparison to the current performance of the Group;
 - Agreeing the inputs into the forecasts to supporting documentation for consistency with contractual agreements, where available;
 - Agreeing the Group's available borrowing facilities and the related covenants to supporting financing documentation and calculations;

- Analysing the sensitivities applied by the Directors' stress testing calculations and challenging the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected;
- Obtaining covenant calculations and forecast calculations to test for any potential future covenant breaches;
- Considering the covenant compliance headroom for sensitivity to both future changes in property valuations and the Group's future financial performance;
- Reviewing the agreements for extensions or modifications of loan agreements since the year end up to the date of the signed financial statements;
- Considering board minutes, and evidence obtained through the audit and challenging the Directors on the identification of any contradictory information in the forecasts and the resultant impact to the going concern assessment;

- Reviewing the disclosures in the financial statements relating to going concern to check that the disclosure is consistent with the circumstances

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2022: 100%) of Group profit before tax		
	100% (2022: 100%) of Group revenue		
	100% (2022: 100%) of Group total assets		
	100% (2022: 100%) of Group investment property		
		2023	2022
Key audit matters	Valuation of investment property	✓	✓
	Acquisition and disposal of investments in joint ventures	✓	
	The acquisition and disposal of investments in joint ventures is a new KAM as this pertains to specific transactions which have taken place during the current financial year.		
Materiality	<i>Group financial statements as a whole</i> £19.3m (2022: £18.0m) based on 1% of Group total assets (2022: 1% of Group total assets).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed

the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates solely in the United Kingdom and in one segment, investment property, structured through a number of subsidiary entities and a joint venture. None of the subsidiaries or the joint venture were individually considered to be significant components and as such the audit approach included undertaking audit work on the key risks of material misstatements identified for the Group across the subsidiary entities and joint venture. The Group audit engagement team performed full scope audits in order to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified in the key audit matters section below. As a result of our audit approach, we achieved coverage of 100% of rental income and 100% of investment property valuations in respect of those property assets held directly by the Group.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of the Investment Adviser and the Group's independent property valuer to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;

- Our own qualitative risk assessment taking into consideration the sector in which the Group operates, including the specific property asset class in which the Group invests, and how climate change affects this particular sector and property asset class;
- Review of the minutes of Board, Audit Committee and ESG Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's risk assessment as set out in the Group's Sustainability and TCFD Compliance Report may affect the financial statements and our audit;
- We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Investment Adviser's going concern assessment and viability assessment;
- We also assessed the consistency of the disclosures included as 'Statutory Other Information' within the Strategic Report and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any key audit matters materially impacted by climate-related risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of investment properties As detailed in note 12, the Group owns a portfolio of investment properties which, as described in the accounting policy in note 2.11, are held at fair value in the Group financial statements. As described in the significant accounting judgements, estimates and assumptions section of note 1, determination of the fair value of investment properties is a key area of estimation.</p> <p>The valuation of investment property and related disclosures requires significant judgement and estimates by the Directors and the independent valuer and is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the income statement and statement of financial position.</p> <p>There is also a risk of fraud in relation to the valuation of the property portfolio where the Directors may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations.</p> <p>The valuation of investment properties was therefore considered to be a key audit matter.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <p>Experience of the valuer and relevance of its work</p> <ul style="list-style-type: none"> • We assessed the competency, qualifications, independence and objectivity of the independent external valuer engaged by the Group and reviewed the terms of their engagement for any unusual arrangements, limitations in the scope of their work or evidence of Management bias. • Real estate experts within our team read the valuation reports and confirmed that all valuations had been prepared in accordance with applicable valuation guidelines and were therefore appropriate for determining the carrying value in the Group's financial statements. <p>Data provided to the valuer</p> <ul style="list-style-type: none"> • We validated the underlying data provided to the valuer by the Investment Adviser. • This data included key observable inputs such as current rent and lease term, which we agreed to the executed lease agreements as part of our audit work covering 100% of the population. <p>Assumptions and estimates used by the valuer</p> <ul style="list-style-type: none"> • We developed yield expectations for each property using available independent industry data, reports and comparable transactions in the market around the period end. This was undertaken with assistance of our real estate experts • We evaluated the other key valuation assumptions, being the market rental values, by reference to industry data, taking into account the location and specifics of each property. • We then discussed both the assumptions used and the valuation movement in the period with the Investment Adviser, the Chair of the Audit Committee and the independent valuer. • Where the valuation yield was outside of our expected range we challenged the independent valuer on specific assumptions and reasoning for the yields and/or market rents applied and corroborated their explanations where relevant, including agreeing to third-party documentation and market comparisons • While we consulted with internal RICS-qualified experts as part of setting our expectations, our expert also attended the meetings with the Group's valuers to assist us in assessing that explanations provided were appropriate and in line with market knowledge. <p>Related disclosures in the financial statements</p> <ul style="list-style-type: none"> • We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation assumptions and valuation sensitivity. <p>Key observations: Based on our work we have not noted any material instance which may indicate that the assumptions adopted by the Directors in the valuation were not reasonable or that the methodology applied was inappropriate.</p>

Key audit matter

Acquisition and disposal of investments in joint ventures

As detailed in note 14, during the year the Group acquired an additional interest in its previously held joint venture, Horner (Jersey) LP, making this a 100% owned subsidiary within the Group. In acquiring this additional interest, the Group in turn increased its interest in a property trust arrangement Joint Venture.

During the year, the Group subsequently disposed of its entire interest in the property trust arrangement Joint Venture, part of the consideration for which was deferred as detailed within Note 17.

As described in the significant accounting judgements, estimates and assumptions section of note 1, determination of the acquisition transaction as asset acquisition was a key judgement.

The accounting entries and judgement regarding the accounting treatment for the acquisition of the additional 50% interest in Horner (Jersey) LP and subsequent disposal of the Group's interest in the property trust arrangement joint venture, together with the related disclosures is considered a key audit matter given the key judgments made by the Directors as to whether the acquisition is accounted for as a business combination or an asset acquisition and in the determination of any fair value adjustments to the acquired assets and liabilities.

An incorrect judgement with regards to the accounting treatment, or incorrect estimate as to the fair values of the assets or liabilities acquired, could result in a material misstatement of the financial statements.

How the scope of our audit addressed the key audit matter

Our audit work included, but was not restricted to, the following:

Acquisition transaction:

- We obtained the Investment Adviser's formal assessment of the accounting for the acquisition transaction which included the basis for treating the acquisition as an asset acquisition.
- We assessed the key judgements made by the Directors on specific points within the accounting requirements of IFRS 3 Business Combinations relating to the treatment of the acquisition, including whether the conditions of the optional concentration test under IFRS 3 Business Combinations applied to the acquisition or not, and subsequently, whether the optional concentration test was met.
- We verified the consideration paid to the relevant acquisition documentation, including the sale and purchase agreement, the J.P. Morgan loan facility agreement entered into by the Group in order to finance the acquisition, cash transactions within relevant lawyer client accounts and other supporting documentation.
- We also verified a sample of acquisition costs capitalised to supporting documentation and assessed whether these were directly attributable to the acquisition transaction.
- We obtained the balance sheet for both Horner (Jersey) LP and the property trust arrangement Joint Venture at the date of acquisition and we assessed the accuracy of any fair value gains and losses and trading results in the period up to acquisition, noting that the significant majority of net assets held by Horner (Jersey) LP were represented by the investment in the property trust arrangement Joint Venture, and that the significant amount of the net assets held by the property trust arrangement Joint Venture were represented by a contractual receivable in respect of the sale of 21 properties.
- With the use of our internal valuation experts we assessed the adequacy of the fair value adjustments made in respect of contractual receivable within the property trust arrangement Joint Venture for the purpose of assessing the fair value of the investment at acquisition.

Disposal transaction:

- We verified the consideration received to the relevant sale documentation, including the sale and purchase agreement, bank statements in respect of cash received and other supporting documentation.
- We recalculated the deferred consideration receivable under the terms of the sale and purchase agreement and, with the use of our internal valuation experts, we assessed the accuracy of the calculation of the fair value of the deferred consideration upon initial recognition.
- We traced the subsequent settlement of the receivable to bank statements post year end where paid.
- We recalculated the gain on disposal of the investment in joint ventures and confirmed the accuracy of the amounts disclosed in the statement of comprehensive income.

Disclosures:

- We considered the adequacy of the disclosures made by the Directors in relation to the acquisition and subsequent disposal with regards to the requirements of the applicable accounting standard. This included the disclosures relating to the key judgments in respect of the treatment of the acquisition as an asset acquisition as opposed to a business combination, as well as the fair value of the receivable recognised upon the disposal of the joint venture interest.

Key observations:

Based on our work we have not noted any material instance which may indicate that the judgements made by the Directors in the accounting treatment of the acquisition were unreasonable or inappropriate, or that the assumptions adopted by the Directors in the determination of fair values within the acquisition and disposal transactions are not reasonable or that the methodology applied was inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality,

to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	19.3	18.0	16.2	13.3
Basis for determining materiality	Materiality for the Group and Parent Company's financial statements was set at 1% of total assets (2022: 1%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.			
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be the principal considerations for the users of the financial statements in assessing the financial performance of the Group.			
Performance materiality	14.5	13.5	12.2	10.0
Basis for determining performance materiality	Performance materiality is set at an amount to reduce to an appropriate low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 75% (2022: 75%) of materiality. We determined that the same measure as the Group was appropriate for the Parent Company.			
Rationale for the percentage applied for performance materiality	We determined that 75% of materiality would be appropriate based on our risk assessment, together with our assessment of the Group's and Parent Company's overall control environment, the low number of components, the low value of brought forward adjustments impacting the current year and low value of expected misstatements, based on past experience.			

Specific materiality

We also determined that for other account balances and classes of transactions that impact the calculation of Adjusted Earnings, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined that specific materiality for these items should be £3.2 million (2022: £2.9 million), being 5% (2022: 5%) of Adjusted Earnings. Adjusted Earnings excludes the impact of the net loss on revaluation of investment properties, including those held through joint ventures. We further applied a performance materiality level of 75% (2022: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £160,000 (2022: £145,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none">• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out in the "Going concern" section of the Strategic Report; and• The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out in the "Assessment of viability" section of the Strategic Report.
Other Code provisions	<ul style="list-style-type: none">• Directors' statement on fair, balanced and understandable as set out in the Audit and Risk Committee Report;• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out in the "Our Principal Risks" section of the Strategic Report;• The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out in the Audit and Risk Committee Report; and• The section describing the work of the Audit Committee as set out in the Audit and Risk Committee Report.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or• the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or• certain disclosures of Directors' remuneration specified by law are not made; or• we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with the Investment Adviser and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be applicable accounting standards, the Companies Act 2006, UK Listing Rules and the UK Real Estate Investment Trust (REIT) regime.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be UK VAT regulations.

Our procedures in respect of the above included:

- Review of Board and Committee meeting minutes for any instances of non-compliance with laws and regulations;
- Review of a report from the Group's Investment Adviser, detailing the actions that the Group has undertaken to ensure compliance. With the assistance of our internal tax experts, this paper was reviewed, and the assumptions challenged;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with the Investment Adviser, AIFM and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of Board and Committee meeting minutes for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition (existence and accuracy of rent smoothing adjustments), revenue recognition (existence and accuracy of rental receipts), investment property valuations and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- We agreed to bank and loan balances to direct bank confirmations and agreements;
- We also addressed the risk of management override of internal controls by evaluating whether there was evidence of bias by the Investment Adviser and the Directors that represented a risk of material misstatement due to fraud. This included evaluating any management bias within the valuation of investment property, as mentioned under the key audit matters subheading;
- To address the fraud risk in relation to calculation of rent smoothing adjustments, we agreed all critical inputs to the calculations to lease agreements and performed a recalculation of the adjustment to rental income, investigating any variances.
- To address the fraud risk in relation to the existence and accuracy of rental receipts, for a sample of rental periods (i.e. quarter or month) under each lease, we set expectations for the rental income to be received under the terms of lease agreement and compared this to the cash receipts identified per the bank statements, investigating any variances.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Charles Ellis (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

19 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Gross rental income	3	95,823	72,363
Service charge income	3	5,939	2,086
Service charge expense	4	(6,518)	(2,338)
Net Rental Income		95,244	72,111
Administrative and other expenses	5	(15,429)	(13,937)
Operating profit before changes in fair value of investment properties and share of income and profit on disposal from joint venture		79,815	58,174
Changes in fair value of investment properties	12	(256,066)	21,820
Total changes in fair value of investment properties		(256,066)	21,820
Share of income from joint venture	14	23,232	43,301
Profit on disposal of joint venture	14	19,940	-
Operating (loss)/profit		(133,079)	123,295
Finance income	8	14,626	-
Finance expense	8	(39,315)	(12,992)
Changes in fair value on interest rate derivatives	19	10,024	-
Profit on disposal of interest rate derivatives		2,878	-
(Loss)/Profit before taxation		(144,866)	110,303
Tax charge for the year	9	-	-
(Loss)/Profit for the year		(144,866)	110,303
<i>Items to be reclassified to profit or loss in subsequent periods</i>			
Fair value movements in interest rate derivatives	19	1,068	5,566
Total comprehensive (loss)/income for the year		(143,798)	115,869
Total comprehensive (loss)/income for the year attributable to ordinary Shareholders		(143,798)	115,869
Earnings per share – basic and diluted	10	(11.7) pence	11.3 pence

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Non-current assets			
Property, plant and equipment		-	129
Investment properties	12	1,685,690	1,561,590
Investment in joint ventures	14	-	177,140
Contract fulfilment asset		-	93
Financial asset at amortised cost	16	10,819	10,626
Interest rate derivatives	19	37,198	5,114
Total non-current assets		1,733,707	1,754,692
Current assets			
Interest rate derivatives	19	20,384	-
Financial assets held at fair value through profit and loss	15	-	283
Trade and other receivables	17	142,155	1,863
Cash and cash equivalents		37,481	51,200
Total current assets		200,020	53,346
Total assets		1,933,727	1,808,038
Non-current liabilities			
Bank borrowings	20	605,609	348,546
Total non-current liabilities		605,609	348,546
Current liabilities			
Bank borrowings due within one year	20	61,856	-
Deferred rental income		21,557	16,360
Trade and other payables	18	26,979	10,677
Total current liabilities		110,392	27,037
Total liabilities		716,001	375,583
Net assets		1,217,726	1,432,455
Equity			
Share capital	22	12,462	12,399
Share premium reserve	22	500,386	494,174
Capital reduction reserve	22	704,531	778,859
Retained earnings		(2,957)	141,909
Cash flow hedge reserve		3,304	5,114
Total equity		1,217,726	1,432,455
Net asset value per share – basic and diluted			
	26	98 pence	116 pence
EPRA NTA per share			
	26	93 pence	115 pence

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 19 September 2023 and were signed on its behalf by

Nick Hewson

Chair

19 September 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	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 2022	12,399	494,174	5,114	778,859	141,909	1,432,455
<i>Comprehensive income for the year</i>						
Loss for the year	-	-	-	-	(144,866)	(144,866)
Cash flow hedge reserve to profit for the year on disposal of interest rate derivatives	-	-	(2,878)	-	-	(2,878)
Other comprehensive income	-	-	1,068	-	-	1,068
Total comprehensive loss for the year	-	-	(1,810)	-	(144,866)	(146,676)
<i>Transactions with owners</i>						
Ordinary shares issued at a premium during the year	63	6,301	-	-	-	6,364
Share issue costs	-	(89)	-	-	-	(89)
Interim dividends paid	-	-	-	(74,328)	-	(74,328)
As at 30 June 2023	12,462	500,386	3,304	704,531	(2,957)	1,217,726

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	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 2021	8,107	778,859	(452)	-	84,796	871,310
<i>Comprehensive income for the year</i>						
Profit for the year	-	-	-	-	110,303	110,303
Other comprehensive income	-	-	5,566	-	-	5,566
Total comprehensive income for the year	-	-	5,566	-	110,303	115,869
<i>Transactions with owners</i>						
Ordinary shares issued at a premium during the year	4,292	504,539	-	-	-	508,831
Share premium cancellation to capital reduction reserve	-	(778,859)	-	778,859	-	-
Share issue costs	-	(10,365)	-	-	-	(10,365)
Interim dividends paid	-	-	-	-	(53,190)	(53,190)
As at 30 June 2022	12,399	494,174	5,114	778,859	141,909	1,432,455

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Operating activities			
(Loss)/Profit for the year (attributable to ordinary Shareholders)		(144,866)	110,303
Adjustments for:			
Changes in fair value of interest rate derivatives measured at fair value through profit and loss	19	(10,024)	-
Changes in fair value of investment properties and associated rent guarantees	12	256,066	(21,820)
Movement in rent smoothing and lease incentive adjustments	3	(2,763)	(2,654)
Finance income	8	(14,626)	-
Finance expense	8	39,281	12,992
Share of income from joint venture	14	(23,232)	(43,301)
Profit on disposal of interest rate derivative	19	(2,878)	-
Profit on disposal of Joint Venture	14	(19,941)	-
Cash flows from operating activities before changes in working capital		77,017	55,520
(Increase)/decrease in trade and other receivables		(548)	1,277
Decrease/(increase) in rent guarantee receivables		191	(87)
Increase in deferred rental income		5,198	4,299
Increase in trade and other payables		2,461	2,004
Net cash flows from operating activities		84,319	63,013
Investing activities			
Acquisition of contract fulfilment assets		-	(8)
Disposal of Property, Plant & Equipment		222	-
Acquisition of investment properties	12	(362,630)	(371,093)
Capitalised acquisition costs		(14,681)	(17,603)
Decrease/(Increase) in other financial assets	16	-	(10,626)
Receipts from other financial assets	16	290	-
Investment in joint venture	14	(189,528)	(3,518)
Proceeds from disposal of Joint Venture	14	292,636	-
Net cash flows used in investing activities		(273,691)	(402,848)
Financing activities			
Proceeds from issue of Ordinary Share Capital	22	-	506,727
Costs of share issues	22	(89)	(10,366)
Bank borrowings drawn	20	912,114	402,922
Bank borrowings repaid	20	(598,486)	(464,029)
Loan arrangement fees paid		(5,010)	(2,187)
Bank interest paid		(22,408)	(9,846)
Settlement of interest rate derivatives		8,646	-
Settlement of Joint Venture Carried Interest		(8,066)	-
Sale of interest rate derivatives	19	2,878	-
Purchase of interest rate derivative	19	(44,255)	-
Bank commitment fees paid		(1,708)	(681)
Dividends paid to equity holders		(67,963)	(51,084)
Net cash flows from financing activities		175,653	371,456
Net movement in cash and cash equivalents in the year		(13,719)	31,621
Cash and cash equivalents at the beginning of the year		51,200	19,579
Cash and cash equivalents at the end of the year		37,481	51,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

General information

Supermarket Income REIT plc (the Company) is a company registered in England and Wales with its registered office at 1 King William Street, London, United Kingdom, EC4N 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 2023 the Group comprised the Company and its wholly owned subsidiaries as set out in Note 13.

Basis of preparation

These consolidated financial statements cover the year to 30 June 2023, including comparative figures relating to the year to 30 June 2022, and include the results and net assets of the Group.

The consolidated financial statements have been prepared in accordance with:

- UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards,
- The Disclosure and Transparency Rules of the Financial Conduct Authority

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 that were not previously relevant to the Group's operations have been adopted.

Going concern

In light of the current Macroeconomic backdrop, 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 2023. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

Liquidity

At 30 June 2023, the Group generated net cash flow from operating activities of £84.3 million, held cash of £37.5 million and undrawn committed facilities totalling £189.9 million with no capital commitments or contingent liabilities.

From the sale of its interest in the Sainsburys Reversion Portfolio (SRP), the Group received proceeds of £135.1 million post year end. £97.1 million of this was used for working capital and debt repayment and £38.0 million towards acquiring two stores (including acquisition costs). As at the date of signing the annual report the Gross LTV of the group was 34.0%. The remainder of the receivable of £1.5 million is conditional on the sale of the remaining store in the SRP.

After the year end, the Group also reduced its debt capacity from £862.1 million to £680.5 million (see Note 20 for more information), leaving undrawn committed facilities of over £100 million available.

The Directors are of the belief that the Group continues to be well funded during the going concern period with no concerns over its liquidity.

Refinancing events

At the date of signing the financial statements, the Deka facility falls due for repayment during the going concern period (August 2024). It is intended that the facility will be refinanced prior to maturity, or if required, it will be paid down in full the Group's available undrawn committed facilities of over £100 million. All lenders have been supportive during the year and have expressed commitment to the long-term relationship they wish to build with the Company.

Covenants

The Group's debt facilities include covenants in respect of LTV and interest cover, both projected and historic. All debt facilities, except for the unsecured facilities, are ring-fenced with each specific lender.

The Directors have evaluated a number of scenarios as part of the Group's going concern assessment and considered the impact of these scenarios on the Group's continued compliance with secured debt covenants. The key assumptions that have been sensitised within these scenarios are falls in rental income and increases in administrative cost inflation.

As at the date of issuance of this Annual report 100% of contractual rent for the period has been collected. The Group benefits from a secure income stream from its property assets that are let to tenants with excellent covenant strength under long leases that are subject to upward only rent reviews.

1. Basis of preparation continued

The list of scenarios are below and are all on top of the base case model which includes prudent assumptions on valuations and cost inflation. No sensitivity for movements in interest rates have been modelled as the Group is fully hedged during the going concern assessment period.

Scenario	Rental Income	Costs
Base case scenario (Scenario 1)	100% contractual rent received when due and rent reviews based on forward looking inflation curve, capped at the contractual rate of the individual leases.	Investment adviser fee based on terms of the signed agreement (percentage of NAV as per note 27), other costs 0.35% of NAV.
Scenario 2	Rental income to fall by 25%.	Costs expected to remain the same as the base case.
Scenario 3	Rental income expected to remain the same as the base case.	10% increases on base case costs to all administrative expenses.

The Group continues to maintain covenant compliance for its LTV and ICR thresholds throughout the going concern assessment period under each of the scenarios modelled. One of the secured facilities in the Group has a debt yield covenant, which is calculated as the passing rent divided by the loan balance for the properties secured against the lender. The debt yield covenant only would be breached for this facility if rental income is reduced by 6% during the going concern assessment period. The Board considers this scenario highly unlikely given the underlying covenant strength of the tenants. Furthermore, there are remedies available at the Group's disposal which includes reducing a portion of the outstanding debt from available undrawn facilities or providing additional security over properties that are currently unencumbered. The lowest amount of ICR headroom experienced in the worst-case stress scenarios was 22%. Based on the latest bank commissioned valuations, property values would have to fall by more than 21% before LTV covenants are breached, and 10% against 30 June 2023 Company valuations. Similarly, the strictest interest cover covenant within each of the ring-fenced banking groups is 225%, where the portfolio is forecast to have an average interest cover ratio of 572% during the going concern period.

Having reviewed and considered three modelled scenarios, the Directors consider that the Group has adequate resources in place for at least 12 months from the date of these results and have therefore adopted the going concern basis of accounting in preparing the Annual Report.

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 2028. 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 51 to 60 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.

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.

1. Basis of preparation continued

Viability Statement

The Board has assessed the prospects of the Group over the five years from the balance sheet date to 30 June 2028, 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 most 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
Borrowing risk	The Group continues to comply with all relevant loan covenants. The Group is able to refinance all debt falling due within the viability assessment period on acceptable terms.
Interest Rate risk	The increase in variable interest rates are managed by reduction of variable debt from cash inflows and utilising interest rate derivatives to limit the exposure to variable debt.
Liquidity risk	The Group continues to generate sufficient cash to cover its costs while retaining the ability to make distributions.
Tenant risk	Tenants (or guarantors where relevant) comply with their rental obligations over the term of their leases and no key tenant suffers an insolvency event over the term of the review.

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.

Accounting convention and currency

The consolidated financial statements (the "financial statements") have been prepared on a historical cost basis, except that investment properties, rental guarantees 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

In the current financial year, the Group has adopted a number of minor amendments to standards effective in the year issued by the IASB as adopted by the UK Endorsement Board, none of which have had a material impact on the Group.

There was no material effect from the adoption of other amendments to IFRS effective in the year. They have no significant impact on the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Standards and interpretations in issue not yet adopted

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

- Amendments to IAS 1 which are intended to clarify the requirements that an entity applies in determining whether a liability is classified as current or non-current. The amendments are intended to be narrow-scope in nature and are meant to clarify the requirements in IAS 1 rather than modify the underlying principles (effective for periods beginning on or after 1 January 2024).

The amendments include clarifications relating to:

- How events after the end of the reporting period affect liability classification
- What the rights of an entity must be in order to classify a liability as non-current
- How an entity assesses compliance with conditions of a liability (e.g. bank covenants)
- How conversion features in liabilities affect their classification

The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. IFRS S1 sets out general requirements for the disclosure of material information about sustainability-related financial risks and opportunities and other general reporting requirements (periods beginning after 1 January 2024).
- IFRS S2 Climate-related Disclosures. IFRS S2 sets out disclosure requirements that are specific to climate-related matters (periods beginning after 1 January 2024).

The Group acknowledges the issue of these new standards by the International Sustainability Standards Board's (ISSB) will monitor the consultation and decision process being undertaken by the UK Government and FCA in determining how these standards are implemented by UK companies.

1. Basis of preparation continued

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

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

The independent valuer did not include any material valuation uncertainty clause in relation to the valuation of the Group's investment property for 30 June 2023 or 30 June 2022.

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 estimate: Fair value of interest rate derivatives

Derivatives are valued in accordance with IFRS 13 "Fair Value Measurement" by reference to interbank bid market rates as at the close of business on the last working day prior to each reporting 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.

The fair value of the Group's interest rate derivatives, along with further details of the valuation methods used, are detailed in note 19.

Key judgement: Joint ventures – joint control

In prior years, 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 £102 million plus costs. The joint venture also acquired 100% of the issued share capital in Cornerford Limited for a combined total consideration of £115 million plus costs (together "the Joint Venture Interest").

Horndrift Limited and Cornerford Limited each hold a 25.2% beneficial interest in a property trust arrangement / bond securitisation structure (the "Structure") which previously held a portfolio of 26 Sainsbury's supermarket properties funded by bonds which mature in 2023. During the year, Sainsbury's exercised options to acquire 21 of these stores within the Structure and it has been determined that the exercise of the purchase options by Sainsbury's resulted in the performance obligation being satisfied for a sale of the properties in accordance with IFRS 15. The JV is deemed to hold a contractual receivable from Sainsbury's plc in respect of these 21 properties.

During the year, the Group acquired the British Airways Pension Trustees Limited stake in the joint venture, meaning the Group had a beneficial interest in over 50% of the underlying property pool, via its 100% ownership in Horndrift and Cornerford.

The classification and accounting treatment of the Joint Venture Interest in the property trust arrangement in the Group's consolidated financial statements is subject to significant judgement. By reference to the contractual arrangements and deeds that regulate the Structure, it was necessary to determine whether the Joint Venture Interest, 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 the Joint Venture Interest 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 the joint venture investment 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 Limited, Cornerford Limited or the other key parties from exercising their rights under the contractual arrangements and deeds of the Structure.

The Directors therefore concluded that through its Joint Venture Interest, 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 accounted for using the equity method of accounting under IAS 28.

1. Basis of preparation continued

Following the additional Joint Venture interest acquired during the year, the Group was deemed to still jointly control the Structure as any change to the contractual arrangements and deeds that regulate the Structure, requires unanimous consent from all beneficial holders. Therefore, the equity method of accounting continued to be used until the disposal of the investment in joint venture which occurred during the year (see Note 14).

Key judgement: Acquisition of Joint Venture stake

During the year the Group acquired an additional 50% interest in the Group's existing joint venture, Horner (Jersey) LP, from British Airways Pension Trustees Limited for total consideration of £188.8 million. At the time of the purchase the Directors assess whether the acquisition represents the acquisition of an asset or the acquisition of a business.

Under the Definition of a Business (Amendments to IFRS 3 "Business Combinations"), to be considered as a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The optional 'concentration test' is also applied, where if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

The concentration test was applied confirming that substantially all of the fair value of the assets acquired were concentrated in an investment in joint venture, being the Structure and was therefore accounted as an asset purchase.

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.

Under the Definition of a Business (Amendments to IFRS 3 "Business Combinations"), to be considered as a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The optional 'concentration test' is also applied, where if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

During the year, the group completed nine acquisitions. In nine cases the concentration test was applied and met, resulting in the acquisitions being accounted for as asset purchases.

All £362.6 million of acquisitions during the year were accounted for as asset purchases.

Key judgement: Acquisition of financial assets at amortised cost

The Group acquires properties under a sale and leaseback arrangements. At the time of the purchase the Directors assess whether the acquisition represents the acquisition of an investment property or a financial asset.

Under IFRS 15, for the transfer of an asset to be accounted for as a true sale, satisfying a performance obligation of transferring control of an asset must be met for this to be deemed a property transaction and accounted for under IFRS 16. If not, it is accounted for as an asset under IFRS 9.

The Group acquired a property in the prior year under a sale and leaseback arrangement with a larger multi-channel supermarket operator. In this case, it was deemed that as the lease was for a significant part of the asset's useful economic life, control was not passed and the asset was therefore accounted for under IFRS 9 as an amortised cost asset.

2. Summary of significant accounting policies

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

2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 June 2023.

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 statements from the date that control commences until the date that control ceases.

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

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

2. Summary of significant accounting policies continued

2.2 Segmental information

The Directors are of the opinion that the Group is currently engaged in a single segment business, being investment in United Kingdom in supermarket property assets; the non-supermarket properties are ancillary in nature to the supermarket property assets and are therefore not segmented.

2.3 Rental income

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

- Any rental income from fixed and minimum guaranteed rent review uplifts is recognised on a straight-line basis over the lease term, variable lease uplift calculations are not rebased when a rent review occurs and the variable payment becomes fixed;
- 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.

Leases classified under IFRS 9 as financial assets recognise income received from the tenant between finance income and a reduction of the asset value, based on the interest rate implicit in the lease.

2.4 Service charge income

Service charge income represents amounts billed to tenants for services provided in conjunction with leased properties based on budgeted service charge expenditure for a given property over a given service charge year. The Company recognises service charge income on a straight-line basis over the service charge term.

2.5 Service charge expense

Service charge expense represents a wide range of costs related to the operation and upkeep of the leased properties. These costs are allocated and charged to tenants based on agreed terms and calculations as outlined in the lease agreements with a portion being borne by the landlord where agreed.

2.6 Finance income

Finance income consists principally of interest receivable from interest rate derivatives and income from financial assets held at amortised cost. An adjustment is applied to reclassify amounts received upon periodic settlement of interest rate derivatives assets from change in fair value to interest income.

2.7 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.

2.8 Administrative and other expenses

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

2.9 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.

2.10 Taxation

Non-REIT taxable income

Taxation on the Group's profit or loss for the year 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.

2. Summary of significant accounting policies continued

Non-REIT taxable income continued

Current tax is tax payable on any non-REIT taxable income for the year, 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.

2.11 Investment properties

Investment properties consist of land and buildings 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 or loss as incurred.

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

Initially, rental guarantees are recognised at their fair value and separated from the purchase price on initial recognition of the property being purchased. They are subsequently measured at their fair value at each reporting date with any movements recognised in the profit or loss.

2.12 Joint ventures

Interests in joint ventures, including the additional interest acquired during the year, are accounted for using the equity method of accounting as per IAS 28. The Group's joint ventures are arrangements in which the partners have joint control and rights to the net assets of the arrangement. Investments in joint ventures are carried in the statement of financial position 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 2.1.

2.13 Property, plant and equipment

Property, plant and equipment comprises of rooftop solar panels. Rooftop solar panels are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised over the useful lives of the equipment, using the straight-line method at a rate of between 25- 30 years depending on the useful economic life.

Residual value is reviewed at least at each financial year and there is no depreciable amount if residual value is the same as, or exceeds, book value. Any gain or loss arising on the disposal of the rooftop solar panels are determined as the difference between the sales proceeds and the carrying amount of the asset.

2.14 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.

For assets where changes in cash flows are linked to changes in an inflation index, the Group updates the effective interest rate at the end of each reporting period and this is reflected in the carrying amount of the asset each reporting period until the asset is derecognised.

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.

2. Summary of significant accounting policies continued

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.

In the event of a modification to the terms of a loan agreement, the Group considers both the quantitative and qualitative impact of the changes. Where a modification is considered substantial, the existing facility is treated as settled and the new facility is recognised. Where the modification is not considered substantial, the carrying value of the liability is restated to the present value of the cash flows of the modified arrangement, discounted using the effective interest rate of the original arrangement. The difference is recognised as a gain or loss on refinancing through the statement of comprehensive income.

Derivative financial instruments and hedge accounting

The Group's derivative financial instruments currently comprise of interest rate swaps/caps. Derivatives designated as hedging instruments utilise hedge accounting under IAS 39. Derivatives not designated under hedge accounting are accounted for under IFRS 9.

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.

Interest rate derivatives that do not qualify under hedge accounting are carried in the Group Statement of Financial Position at fair value, with changes in fair value recognised in the Group Statement of Comprehensive Income, net of interest receivable/payable from the derivatives shown in the finance income or expense line.

2.15 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 22.

2. Summary of significant accounting policies continued

2.16 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. Gross rental income

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Rental income – freehold property	53,119	44,332
Rental income – long leasehold property	42,669	28,031
Lease surrender income	35	–
Gross rental income	95,823	72,363

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Property insurance recoverable	585	449
Service charge recoverable	5,354	1,637
Total property insurance and service charge income	5,939	2,086
Total property income	101,762	74,449

Included within rental income is a £2,512,000 (2022: £2,654,000) 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 be accounted for on a straight-line basis over the lease term. During the year 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 £49,620,000 (2022: £34,420,000) relating to the Group's largest tenant and £27,194,000 (2022: £24,265,000) relating to the Group's second-largest tenant. There were no further tenants representing more than 10% of annualised gross rental income during either year.

4. Service charge expense

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Property insurance expenses	715	639
Service charge expenses	5,803	1,699
Total property insurance and service charge expense	6,518	2,338

5. Administrative and other expenses

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Investment Adviser fees (Note 27)	10,292	9,405
Directors' remuneration (Note 7)	364	269
Corporate administration fees	1,108	893
Legal and professional fees	1,626	2,249
Other administrative expenses	2,039	1,121
Total administrative and other expenses	15,429	13,937

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

6. Operating (loss)/profit

Operating (loss)/profit is stated after charging fees for:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Audit of the Company's consolidated and individual financial statements	260	190
Audit of subsidiaries, pursuant to legislation	95	64
Total audit services	355	254
Audit related services: interim review	38	32
Total audit and audit-related services	393	286

The Group's auditor also provided the following services in relation to corporate finance services:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Other non-audit services: corporate finance services in connection with the October 2021 and April 2022 placings	-	78
Other non-audit services: corporate finance services in connection with the transition to premium segment of LSE	-	45
Other non-audit services: corporate finance services	65	-
Total other non-audit services	65	123
Total fees charged by the Group's auditor	458	409

7. Directors' remuneration

The Group had no employees in the current or prior year. 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 2023 £'000	Year to 30 June 2022 £'000
Directors' fees	330	245
Employer's National Insurance Contribution	34	24
Total Directors' remuneration	364	269

The highest paid Director received £75,000 (2022: £70,000) for services during the year.

8. Finance income and expense

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Finance income		
Interest received on bank deposits	53	-
Income from financial assets held at amortised cost (note 16)	483	-
Finance income on unwinding of discounted receivable (note 17)	2,376	-
Finance income on settlement of interest rate derivatives (note 19)	11,714	-
Total finance income	14,626	-

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Finance expense		
Interest payable on bank borrowings and hedging arrangements	29,707	9,565
Finance expense on settlement of interest rate derivatives (note 19)	-	296
Commitment fees payable on bank borrowings	1,571	969
Amortisation of loan arrangement fees*	8,037	2,157
Amortisation of interest rate derivative premium (Note 19)	-	5
Total finance expense	39,315	12,992

*This includes a one-off exceptional charge in the year to 30 June 2023 of £1.52 million, relating to the acceleration of unamortised arrangement fees in respect of the modification of the Wells Fargo and Barclays/RBC facilities under IFRS 9. It also includes a one-off loan arrangement fee for the short-term J.P. Morgan loan of £4.0 million.

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

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Total interest expense on financial liabilities held at amortised cost	37,744	11,723
Fee expense not part of effective interest rate for financial liabilities held at amortised cost	1,571	969
Total finance expense	39,315	12,692

9. Taxation
Tax charge in profit or loss

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Corporation tax	-	-
B) Total tax expense		
Tax charge in profit and loss as per the above	-	-
Share of tax expense of equity accounted joint ventures	(400)	987
Total tax (credit)/expense	(400)	987

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 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.

9. Taxation continued

The reconciliation of the (Loss)/profit before tax multiplied by the blended rate of corporation tax for the year of 20.4% (2022: 19%) to the total tax charge is as follows:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
C) Reconciliation of the total tax charge for the year		
(Loss)/Profit on ordinary activities before taxation	(144,866)	110,303
Theoretical tax at UK standard corporation tax rate of 20.4% (2022: 19%)	(29,553)	20,958
Effects of:		
Investment property and derivative revaluation not taxable	49,680	(4,146)
Disposal of interest rate derivative	(587)	-
Residual business losses	4,428	-
Other non-taxable items	(8,807)	-
REIT exempt income	(15,161)	(16,812)
Share of tax expense of equity accounted joint ventures	(400)	987
Total tax (credit)/expense for the year	(400)	987

UK REIT exempt income includes property rental income that is exempt from UK corporation tax in accordance with Part 12 of CTA 2010.

No deferred tax asset has been recognised in respect of the Group's residual carried forward tax losses of £36.2 million as, given the Group's REIT status, it is considered unlikely that these losses will be utilised.

10. Earnings per share

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

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

The Company has also included an additional earnings measure called "Adjusted Earnings" and "Adjusted EPS". Adjusted earnings⁵⁶ is a performance measure used by the Board to assess the Group's financial performance and dividend payments. The metric adjusts EPRA earnings by deducting one-off items such as debt restructuring costs and the Joint Venture acquisition loan arrangement fee which are non-recurring in nature and adding back finance income on derivatives held at fair value through profit and loss. Adjusted Earnings is considered a better reflection of the measure over which the Board assesses the Group's trading performance and dividend cover.

Finance income received from derivatives held at fair value through profit and loss are added back to EPRA earnings as this reflects the cash received from the derivatives in the period and therefore gives a better reflection of the Group's net finance costs.

Debt restructuring costs relate to the acceleration of unamortised arrangement fees following the partial transition of the Group's debt structure from secured to unsecured.

The Joint Venture acquisition loan arrangement fee relates to the upfront amount payable to J.P. Morgan in respect of the short-term facility taken out in January 2023 to fund the Group's purchase of BAPTL's 50% interest in the joint venture. This was specific debt taken out to finance the transaction to acquire and then dispose of the joint venture, whilst protecting the Group from any recourse on unwind of the joint venture's financial asset. This adjustment reflects the arrangement fee only, as the Group largely had other committed undrawn facilities that it could have utilised.

The reconciliation of IFRS Earnings, EPRA Earnings and Adjusted Earnings is shown below:

⁵⁶ The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance, but they have been included as the Directors consider them to be important comparable and key measures used within the business for assessing performance. The key non-GAAP measures identified by the Group have been defined in the supplementary information and, where appropriate, reconciliation to the nearest IFRS measure has been given.

10. Earnings per share continued

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Net (loss) / profit attributable to ordinary shareholders	(144,866)	110,303
EPRA adjustments:		
Changes in fair value of investment properties and rental guarantees	256,066	(21,820)
Changes in fair value of interest rate derivatives measured at fair value through profit and loss	(10,024)	-
Profit on disposal of interest rate derivatives	(2,878)	-
Group share of changes in fair value of joint venture investment properties	(11,486)	6,021
Group share of gain on disposal of joint venture investment properties	-	(37,102)
Gain on disposal of investments in joint venture	(19,940)	-
Finance income received on interest rate derivatives held at fair value through profit and loss	(9,671)	-
EPRA earnings	57,201	57,402
Adjustments for:		
Finance income received on interest rate derivatives held at fair value through profit and loss	9,671	-
One-off restructuring costs in relation to the acceleration of unamortised arrangement fees	1,518	-
Joint Venture acquisition loan arrangement fee	4,009	-
Adjusted Earnings	72,399	57,402
	Number¹	Number¹
Weighted average number of ordinary shares	1,242,574,505	975,233,858

¹ Based on the weighted average number of ordinary shares in issue

	Year to 30 June 2023 Pence per share (‘p’)	Year to 30 June 2022 Pence per share (‘p’)
Basic and Diluted EPS	(11.7)	11.3
EPRA adjustments:		
Changes in fair value of interest rate derivatives measured at FVTPL	(0.8)	-
Changes in fair value of investment properties and rent guarantees	20.6	(2.2)
Group share of changes in fair value of joint venture investment properties	(0.9)	0.6
Profit on disposal of interest rate derivatives	(0.2)	-
Group share of gain on disposal of joint venture investment properties	(1.6)	(3.8)
Finance income received on interest rate derivatives held at fair value through profit and loss	(0.8)	-
EPRA EPS	4.6	5.9
Adjustments for:		
Finance income received on interest rate derivatives held at fair value through profit and loss	0.8	-
One-off restructuring costs in relation to the acceleration of unamortised arrangement fees	0.1	-
Joint Venture acquisition loan arrangement fee	0.3	-
Adjusted EPRA EPS	5.8	5.9

11. Dividends

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
<i>Amounts recognised as a distribution to ordinary Shareholders in the year:</i>		
Dividends paid	74,328	53,190

On 8 July 2022, the Board declared a fourth interim dividend for the year ended 30 June 2022 of 1.485 pence per share, which was paid on 22 August 2022 to Shareholders on the register on 15 July 2022.

On 21 September 2022 the Board declared a first interim dividend for the year ending 30 June 2023 of 1.5 pence per share, which was paid on 16 November 2022 to shareholders on the register on 7 October 2022.

On 12 January 2023, the Board declared a second interim dividend for the year ending 30 June 2023 of 1.5 pence per share, which was paid on 23 February 2023 to shareholders on the register on 20 January 2023.

On 11 April 2023, the Board declared a third interim dividend for the year ending 30 June 2023 of 1.5 pence per share, which was paid on 26 May 2023 to shareholders on the register on 21 April 2023.

On 6 July 2023, the Board declared a fourth interim dividend for the year ending 30 June 2023 of 1.5 pence per share, which was paid on 4 August 2023 to shareholders on the register on 13 July 2023. This has not been included as a liability as at 30 June 2023.

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 2023 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 2022	903,850	657,740	1,561,590
Property additions	131,600	231,030	362,630
Capitalised acquisition costs	4,132	10,549	14,681
Revaluation movement	(140,142)	(113,069)	(253,211)
Valuation at 30 June 2023	899,440	786,250	1,685,690
At 1 July 2021	723,540	424,840	1,148,380
Property additions	150,363	220,447	370,810
Capitalised acquisition costs	7,825	9,778	17,603
Revaluation movement	22,122	2,675	24,797
Valuation at 30 June 2022	903,850	657,740	1,561,590

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
<i>Reconciliation of Investment Property to Independent Property Valuation</i>		
Investment Property at fair value per Group Statement of Financial Position	1,685,690	1,561,590
Market Value of Property classified as Financial Assets held at amortised cost (Note 16)	7,210	9,960
Total Independent Property Valuation	1,692,900	1,571,550

There were nine property acquisitions during the year, of which two were purchased through the acquisition of a corporate structure, rather than acquiring the asset directly. All corporate acquisitions during the year have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

12. Investment properties continued

Included within the carrying value of investment properties at 30 June 2023 is £8,724,000 (2022: £6,212,000) in respect of the smoothing of fixed contractual rent uplifts as described in note 3. 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 during the year is as follows:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Revaluation movement per above	(253,211)	24,797
Rent smoothing adjustment (note 3)	(2,512)	(2,654)
Movements in associated rent guarantees and lease incentives	(343)	(323)
Change in fair value recognised in profit or loss	(256,066)	21,820

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.

The yield methodology approach is used when valuing the Group's properties which uses market rental values capitalised with a market capitalisation rate. This is sense-checked against the market comparable method (or market comparable approach) where a property's fair value is estimated based on comparable transactions in the market.

Unobservable inputs

Significant unobservable inputs include: the estimated rental value ("ERV") based on market conditions prevailing at the valuation date and net initial 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 net initial yield would increase the fair value.

Sensitivity of measurement of significant valuation inputs

As described in note 2 the determination of the valuation of the Group's investment property portfolio is open to judgement and is inherently subjective by nature.

Sensitivity analysis – impact of changes in net initial yields and rental values

	Year to 30 June 2023	Year to 30 June 2022
Range of Net Initial Yields	4.7% - 7.4%	3.8% - 6.6%
Range of Rental values (passing rents or ERV as relevant) of Group's Investment Properties	£0.3m - £5.1m	£0.3m - £4.2m
Weighted average of Net Initial Yields	5.6%	4.6%
Weighted average of Rental values (passing rents or ERV as relevant) of Group's Investment Properties	£2.8m	£2.6m

The table below analyses the sensitivity on the fair value of investment properties for changes in rental values and net initial yields:

	+2% Rental value £m	-2% Rental value £m	+0.5% Net Initial Yield £m	-0.5% Net Initial Yield £m
(Decrease)/increase in the fair value of investment properties as at 30 June 2023	33.7	(33.7)	(139.9)	168.1
(Decrease)/increase in the fair value of investment properties as at 30 June 2022	31.2	(31.2)	(81.1)	90.7

13. Subsidiaries

The entities listed in the following table were the subsidiary undertakings of the Company at 30 June 2023 all of which are wholly owned. All but those noted as Jersey entities below are subsidiary undertakings incorporated in England.

Company name	Holding type	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 (Midco6) Limited ⁺	Direct	Intermediate parent company
Supermarket Income Investments UK (Midco7) Limited ⁺	Direct	Intermediate parent company
SUPR Green Energy Limited ⁺	Direct	Energy provision company
SUPR Finco Limited ⁺	Direct	Holding 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
TPP Investments Limited ⁺	Indirect	Property investment
T (Partnership) Limited ⁺	Indirect	Property investment
The TBL Property Partnership	Indirect	Property investment
Supermarket Income Investments UK (NO19) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO20) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO21) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO22) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO23) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO24) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO25) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO26) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO27) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO28) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO29) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO30) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO31) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO32) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO33) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO34) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO35) Limited [^] -	Indirect	Property investment
Supermarket Income Investments UK (NO36) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO37) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO38) Limited ⁺	Indirect	Property investment
Supermarket Income Investments UK (NO39) Limited ^{**^} -	Indirect	Property investment

13. Subsidiaries continued

Company name	Holding type	Nature of business
Supermarket Income Investments UK (NO40) Limited**	Indirect	Property investment
Supermarket Income Investments UK (NO41) Limited**	Indirect	Property investment
Supermarket Income Investments UK (NO42) Limited**	Indirect	Property investment
Supermarket Income Investments UK (NO43) Limited**	Indirect	Property investment
Supermarket Income Investments UK (NO44) Limited**	Indirect	Property investment
Supermarket Income Investments UK (NO45) Limited**	Indirect	Property investment
The Brookmaker Unit Trust**^	Indirect	Property investment
Brookmaker Limited Partnership**#	Indirect	Property investment
Brookmaker (GP) Limited**#	Indirect	Property investment
Brookmaker (Nominee) Limited**#	Indirect	Property investment
Supermarket Income Investments UK (NO47) Limited**	Indirect	Property investment
Horner (GP) Limited**^	Indirect	Property investment
Horner (Jersey) Limited Partnership**^	Indirect	Property investment
Horner REIT**^	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 2023

** Subsidiaries acquired during the year ended 30 June 2023

^ Jersey registered entity

+ Registered office: 1 King William Street, London, United Kingdom, EC4N 7AF

- Registered office: 3rd Floor, Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE1 2LH

Registered office: 8th Floor, 1 Fleet Place, London, United Kingdom, EC4M 7RA

The following subsidiaries will be exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

Company name	Companies House Registration Number
SII UK Halliwell (MIDCO) LTD	12473355
SUPR Green Energy Limited	12890276
SII UK Halliwell (No1) LTD	12475261
SII UK Halliwell (No2) LTD	12475599
SII UK Halliwell (No3) LTD	12478141
SII UK Halliwell (No4) LTD	12604032
SII UK Halliwell (No5) LTD	12605175
SII UK Halliwell (No6) LTD	12606144
SUPR Finco Limited	14292760

14. Investment in joint ventures

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Opening balance	177,140	130,321
Additions*	206,656	3,518
Group's share of profit after tax	23,232	43,301
Disposal	(407,028)	–
Closing balance	–	177,140

*Included within additions are £190.7 million of further investments made in the joint venture during the year and £15.9 million of net liabilities acquired on acquisition of Horner (Jersey) LP

In May 2020, the Group and British Airways Pension Trustees Limited (BAPTL) formed a 50:50 joint venture (the "joint venture"), Horner (Jersey) LP. Horner (Jersey) LP owns 100% of the shares in Horner REIT, which acquired 100% of the issued share capital in Horndrift Limited for a combined total consideration of £102m plus costs on this date.

In February 2021, Horner REIT acquired 100% of the issued share capital in Cornerford Limited for a combined total consideration of £115m plus costs. Further amounts have been advanced since this date to fund operating costs and taxation liabilities on a pro-rata basis with the other parties.

Horndrift and Cornerford Limited each hold 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 matured 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.

On 12 January 2023, the Group purchased British Airways Pension Trustees Limited's (BAPTL) 50% interest in the joint venture for £188.8 million which resulted in the Group consolidating the following entities:

Entity	Address and principal place of business	Ownership
Jersey Horner (Jersey) LP	Third Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH	100% owned by the Group
Horner GP	Third Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH	100% owned by the Group
Horner REIT Limited	Third Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH	100% owned by Horner (Jersey) LP
United Kingdom Horndrift Limited	Langham Hall UK LLP, 1 Fleet Street, London, E4M 7RA	Previously owned 100% by Horner REIT Limited and disposed in March-23
Cornerford Limited	Langham Hall UK LLP, 1 Fleet Street, London, E4M 7RA	Previously owned 100% by Horner REIT Limited and disposed in March-23

14. Investment in joint ventures continued

The assets and liabilities recognised on acquisition were as follows:

	Fair value 12 Jan 2023 £'000
Current assets	
Investment in joint venture	200,887
Cash and cash equivalents	565
Trade and other receivables	19
Total current assets	201,471
Total assets	201,471
Current liabilities	
Trade and other payables	(9,078)
Total current liabilities	(9,078)
Total liabilities	(9,078)
Net assets	192,393
Negative goodwill on acquisition	(3,565)
Purchase consideration	188,828

Transaction related costs of £451,000 were incurred in respect of the above acquisition and were capitalised as part of the Group's carrying amount in the joint venture.

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

	Fair value 12 Jan 2023 £'000
Non-current assets	
Investment properties	-
Total non-current assets	-
Current assets	
Contractual receivable	277,379
Trade and other receivables	1,683
Investment properties held for sale	16,888
Cash and cash equivalents	-
Total current assets	295,950
Total assets	295,950
Current liabilities	
Debt securities in issue	(85,349)
Interest rate derivative	(351)
Deferred tax	(139)
Trade and other payables	(4,097)
Other liabilities	(5,127)
Total current liabilities	(95,063)
Total liabilities	(95,063)
Net assets	200,887

14. Investment in joint ventures continued

The acquisition of BAPTL's 50% interest in the joint venture, increased the Group's beneficial interest in the structure to 51%. Following the additional joint venture interest acquired during the year, the Group was deemed to control the Structure jointly, as any change to the contractual arrangements and deeds that regulate the Structure, required unanimous consent from all beneficial holders. Therefore, the equity method of accounting continued to be used until the disposal of the investment in joint venture which occurred during the year. Further detail is included in Note 2 of the financial statements.

Atrato Halliwell Limited, affiliate of the Investment Adviser, has a carried interest entitlement over the investment returns from the Group's investment in the joint venture. Under the terms of the Limited Partnership Agreement, ("LPA"), once the Group and BAPTL received a return equal to their total investment in the joint venture plus an amount equivalent to a 10% per annum preferred return on that investment, Atrato Halliwell is entitled to share in any further cash returns to be distributed by the joint venture. Atrato Halliwell's entitlement to share in cash returns in excess of the preferred return increases depending on the extent of those cash returns, up to a maximum entitlement of £15,000,000.

Following the acquisition of BAPTL's 50% interest in the joint venture, BAPTL's £7.5 million share of carried interest to Atrato Halliwell crystallised and was paid at the point of acquisition, together with other deferred arrangement fees payable by BAPTL amounting to £0.6 million. The remaining £7.5 million is included within trade and other payables within Note 18 and was paid after the year end.

On 13 March 2023, the Group sold its interests in Horndrift and Cornerford Limited to Sainsbury's for gross proceeds of £430.8 million. which was structured in three separate tranches:

- The first tranche of £279.3 million was paid in cash on 17 March 2023
- The second tranche of £116.9 million was paid in cash after the balance sheet date on 10 July 2023
- The third tranche of £34.7 million was conditional on the sale of the remaining five stores in the portfolio.

During the year, the Group purchased two of the five stores for a gross purchase price of £25.2 million and received total proceeds from Sainsbury's of £15.0 million.

After the year end, the Group purchased two of the remaining three stores in the portfolio for a gross purchase price of £36.4 million and received proceeds from Sainsbury's of £18.2 million. It is expected that the one remaining store will be sold at vacant possession value.

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Total disposal consideration	430,797	-
Fair value adjustment to contractual receivable	(2,579)	-
Carrying amount of net assets sold	(407,029)	-
Transaction related costs	(1,249)	-
Profit on disposal of joint venture interest	19,940	-

Horndrift and Cornerford Limited's share of the aggregate amounts recognised in the consolidated statement of comprehensive income and statement of financial position for the period ending 13 March 2023 are as follows:

	Period to 13 March 2023 £'000	Year to 30 June 2022 £'000
Rental income	3,904	12,878
Finance income	18,142	15,988
Administrative and other expenses	(1,844)	(190)
Change in fair value of investment properties	(4,256)	(11,336)
Gain on disposal of investment properties	27,228	84,095
Operating profit	43,174	101,435
Finance expense	(1,585)	(1,996)
Profit before taxation	41,589	99,439
Tax charge for the period	833	(1,974)
Profit for the period/year	42,422	97,465
Group share of profit for the period / year	23,232	43,301

14. Investment in joint ventures continued

	As at 13 March 2023 £'000	As at 30 June 2022 £'000
Non-current assets		
Investment properties	–	37,005
Total non-current assets	–	37,005
Current assets		
Contractual receivable	559,268	530,481
Trade and other receivables	8,743	2,897
Investment properties held for sale	33,794	–
Cash and cash equivalents	–	–
Total current assets	601,805	533,378
Total assets	601,805	570,383
Current liabilities		
Debt securities in issue	169,901	176,243
Interest rate derivative	467	3,451
Deferred tax	353	4,196
Other liabilities	10,259	9,883
Trade and other payables	10,231	7,329
Total current liabilities	191,211	201,102
Total liabilities	191,211	201,102
Net assets	410,594	369,281
Negative goodwill on acquisition	(3,565)	–
Carrying amount of net assets at disposal	407,029	369,281

15. Financial assets held at fair value through profit or loss

Rental guarantees provided by the seller of an investment property are recognised as a financial asset when there is a valid expectation that the Group will utilise the guarantee over the contractual term. Rental guarantees are classified as financial assets at fair value through profit and loss in accordance with IFRS 9.

In determining the fair value of the rental guarantee, the Group makes an assessment of the expected future cash flows to be derived over the term of the rental guarantee and discounts these at the market rate. A review is performed on a periodic basis based on payments received and changes in the estimation of future cash flows.

The fair value of rental guarantees held by the Group are as follows:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
At start of year	283	237
Additions	1,000	283
Fair value changes (including changes in estimated cash flows)	92	(326)
Collected during the year	(1,375)	89
Total financial assets held at fair value through profit and loss at end of year	–	283

16. Financial assets held at amortised cost

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
At start of year	10,626	-
Additions	-	10,626
Interest income recognised in profit and loss (note 8)	483	-
Lease payments received during the period	(290)	-
At end of period	10,819	10,626

On 8 June 2022, the Group acquired an Asda store in Carcroft, via a sale and leaseback transaction for £10.6 million, this has been recognised in the Statement of Financial Position as a Financial asset in accordance with IFRS 9. The financial asset is measured using the amortised cost model, which recognises the rental payments as financial income and reductions of the asset value based on the implicit interest rate in the lease. As at 30 June 2023 the market value of the property was estimated at £7.2 million.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 30 June 2023. The historical loss rates are then adjusted for current and forward-looking information on macro-economic factors affecting the Group's customers. Both the expected credit loss provision and the incurred loss provision in the current year is immaterial. No reasonable possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

17. Trade and other receivables

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Other receivables	4,723	1,430
Receivable from joint venture disposal	136,582	-
Prepayments and accrued income	850	433
Total trade and other receivables	142,155	1,863

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 30 June 2023. The historical loss rates are then adjusted for current and forward-looking information on macro-economic factors affecting the Group's customers. Both the expected credit loss provision and the incurred loss provision in the current and prior year are immaterial. No reasonable possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

The receivable following the disposal of the Joint venture receivable has been initially recognised at fair value which resulted in a discount of £2.6 million to the gross amounts to be received of £136.6 million and which is being amortised and recognised within finance income over the period to the receipt of cash from Sainsbury's. £135.1 million was received post year end and the remainder of the consideration is expected to be received on sale of the final property.

18. Trade and other payables

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Corporate accruals	22,469	8,958
VAT payable	4,510	1,719
Total trade and other payables	26,979	10,677

19. Interest rate derivatives

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Non-current asset: Interest rate swaps	35,601	5,114
Non-current asset: Interest rate cap	1,597	-
Current Asset: Interest rate swaps	16,800	-
Current Asset: Interest rate cap	3,584	-

The rate swaps are remeasured to fair value by the counterparty bank on a quarterly basis.

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
The fair value at the end of year comprises:		
At start of year (net)	5,114	(447)
Interest rate derivative premium paid on inception	44,255	-
Amortisation of cap premium in the period (note 8)	-	(5)
Disposal of interest rate derivatives	(2,878)	-
Changes in fair value of interest rate derivative in the year (P&L)	19,695	5,270
Changes in fair value of interest rate derivative in the year (OCI)	3,111	-
(Credit)/Charge to the income statement (P&L) (note 8)	(9,671)	-
(Credit)/Charge to the income statement (OCI) (note 8)	(2,043)	296
Fair value at end of year (net)	57,583	5,114

To partially mitigate the interest rate risk that arises as a result of entering into the floating rate debt facilities referred to in note 21, the Group has entered into derivative interest rate swaps in relation to the drawn Unsecured bank syndicate facilities ('the Unsecured swaps') and loan facilities with Bayerische Landesbank ('the BLB swaps') and Wells Fargo Bank ('the Wells swaps'). The Group has also entered into a derivative interest rate cap in relation to the drawn HSBC loan facility ('the HSBC cap').

A summary of these derivatives as at 30 June 2023 are shown in the table below:

Issuer	Derivative Type	Notional amount £m	Premium Paid £m	Mark to Market 30 June 2023	Swap Rate	Maturity Date
Barclays	Interest Rate Swap	£250.0	£26.7	£33.5	1.34%	Jul-27
Barclays	Interest Rate Swap	£100.0	£7.6	£8.5	1.34%	Jul-25
Barclays	Interest Rate Swap	£30.6	£1.2	£0.7	1.34%	Dec-23
HSBC	Interest Rate Cap	£96.5	£6.0	£5.2	1.12%	Aug-24
BLB	Interest Rate Swap	£37.3	£1.2	£2.7	2.64%	Mar-26
BLB	Interest Rate Swap	£22.2	£0.7	£1.6	2.64%	Mar-26
BLB	Interest Rate Swap	£27.4	£0.9	£2.0	2.64%	Mar-26
Wells Fargo	Interest Rate Swap	£30.0	-	£3.3	0.19%	Jul-25
Total		£594.0	£44.3	£57.5	-	-

On 21 March 2023, the Group announced the refinancing of the existing loan facilities with Bayerische Landesbank with a new three-year £86.9 million term loan replacing the existing tranches of the same amount. The Group closed out swaps on the same date as these coincided with the previous facility. The Group made a profit on disposal of £2.9 million on the swaps.

100% of the Group's outstanding debt as at 30 June 2023 was hedged through the use of fixed rate debt or financial instruments as at 30 June 2023 (2022: 61%). It is the Group's target to hedge at least 50% of the Group's total debt at any time using fixed rate loans or 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 reporting 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 under IFRS 13 and there were no transfers to or from other levels of the fair value hierarchy during the year.

19. Interest rate derivatives continued

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 Wells Fargo variable rate linked facility. Since the refinancing of the Bayerische Landesbank loan facility the Group no longer applies hedge accounting to the newly acquired swaps. 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.

All floating rate loans and interest rate derivatives are contractually linked to the Sterling Overnight Index Average ("SONIA").

Post year end, the Group extended the maturity of the interest rate derivatives by 12 months. The weighted average interest rate following the derivative changes is 3.1% inclusive of the margin. The Group also entered into a forward starting cap starting in August 2024 and terminating in July 2025 with a strike rate of 1.4%.

20. Bank borrowings

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Amounts falling due within one year:		
Secured debt	-	-
Unsecured debt	62,090	-
Less: Unamortised finance costs	(234)	-
Bank borrowings per the consolidated statement of financial position	61,856	-
Amounts falling due after more than one year:		
Secured debt	291,551	352,213
Unsecured debt	318,508	-
Less: Unamortised finance costs	(4,450)	(3,667)
Bank borrowings per the consolidated statement of financial position	605,609	348,546
Total bank borrowings	667,465	348,546

A summary of the Group's borrowing facilities as at 30 June 2023 are shown below:

Lender	Facility	Expiry	Expiry*	Credit margin	Variable/hedged	Loan commitment £m	Amount drawn 30 June 2023 £m
HSBC	Revolving credit facility	Aug 2024	Aug 2025	1.65%	Cap - 1.12%	£96.5	£78.1
HSBC	Revolving credit facility	Aug 2024	Aug 2025	1.65%	SONIA	£3.5	Nil
HSBC	Revolving credit facility	Aug 2024	Aug 2025	1.75%	SONIA	£50.0	Nil
Deka	Term Loan	Aug 2024	Aug 2026	1.35%	0.54%	£47.6	£47.6
Deka	Term Loan	Aug 2024	Aug 2026	1.35%	0.70%	£28.9	£28.9
Deka	Term Loan	Aug 2024	Aug 2026	1.40%	0.32%	£20.0	£20.0
BLB	Term Loan	Mar 2026	Mar 2026	1.65%	SWAP - 2.64%	£86.9	£86.9
Wells Fargo	Revolving credit facility	Jul 2025	Jul 2027	2.00%	SWAP - 0.18%	£30.0	£30.0
Wells Fargo	Revolving credit facility	Jul 2025	Jul 2027	2.00%	SONIA	£9.0	Nil
Barclays	Revolving credit facility	Jan 2024	Jan 2026	1.50%	SONIA	£77.5	Nil
Syndicate	Unsecured RCF	Jul 2027	Jul 2029	1.50%	SWAP - 1.34%	£250.0	£218.5
Syndicate	Unsecured Term Loan	Jul 2025	Jul 2027	1.50%	SWAP - 1.34%	£100.0	£100.0
Syndicate	Unsecured Term Loan	Jan 2024	Jan 2025	1.50%	SWAP - 1.34%	£30.6	£30.6
Syndicate	Unsecured Term Loan	Jan 2024	Jan 2025	1.50%	SONIA	£31.5	£31.5
Total						£862.0	£672.1

*Includes extension options that can be utilised following approval from all parties

20. Bank borrowings continued

In July 2022, the Group announced the arrangement of a new £412.1 million unsecured credit facility with a bank syndicate comprising Barclays, Royal Bank of Canada, Wells Fargo and Royal Bank of Scotland International as summarised above. This was partially used to reduce the Wells Fargo and Barclays/RBC facilities. This led to loan modifications under IFRS 9 resulting in an acceleration of loan arrangement fees of £1.52 million.

In January 2023, the Group entered into a short-term debt facility provided by J.P. Morgan of £196.5 million to fund the acquisition of the additional interest in the Joint Venture. The Facility had a margin of 1.5% over SONIA and an arrangement fee of 2.0%. This facility was repaid in March 2023.

The Group has been in compliance with all of the financial covenants across the Group's bank facilities as applicable throughout the periods covered by these financial statements.

Any associated fees in arranging the bank borrowings that are unamortised as at the end of the year 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 undertakings, not including the Company itself. There have been no defaults of breaches of any loan covenants during the current year or any prior period.

The Group's borrowings carried at amortised cost are considered to be approximate to their fair value.

Post year end, the Group reduced the HSBC facility to £50.0 million from £150.0 million, cancelled the Barclays/RBC facility and Unsecured term loan of £77.5 million and £62.1 million respectively and entered into a new £67.0 million facility with SMBC Bank International PLC, for more information see note 28.

21. Categories of financial instruments

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Financial assets		
<i>Financial assets at amortised cost:</i>		
Lease Receivables	10,819	10,626
Cash and cash equivalents	37,481	51,200
Trade and other receivables	141,305	1,430
<i>Financial assets at fair value:</i>		
Rent guarantees	-	283
Interest rate derivative	54,278	-
<i>Derivatives in effective hedges:</i>		
Interest rate derivative	3,304	5,114
Total financial assets	247,187	68,653
Financial liabilities		
<i>Financial liabilities at amortised cost:</i>		
Secured debt	289,736	348,546
Unsecured debt	377,729	-
Trade and other payables	22,469	8,958
Total financial liabilities	689,934	357,504

At the year end, all financial assets and liabilities were measured at amortised cost except for the interest rate derivatives which are 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.

21. Categories of financial instruments continued

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 interest rate cap and interest rate swap derivatives to partially mitigate exposure to fluctuations in interest rates, as described in note 19.

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 19 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 in the three-month SONIA daily rate, was as follows:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Effect on profit (increase)/decrease	(1,383)	413
Effect on other comprehensive income and equity (increase)	(58)	(223)

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.

Inflation risk arises from the impact of inflation on the Group's income and expenditure. The majority of the Group's passing rent at 30 June 2023 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 those 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 Group does not expect inflation risk to have a material effect on the Group's administrative expenses, with the exception of the investment advisory fee which is determined as a function of the reported net asset value of the Group.

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 an 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.

The credit risk of the receivable from the disposal of the Joint Venture is considered low and this is supported by the fact that the majority of this was received shortly after the year end.

21. Categories of financial instruments continued

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.

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 the SONIA daily rate remains at the 30 June 2023 rate. Interest rate derivatives are shown at fair value and not at their gross undiscounted amounts.

As at 30 June 2023	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	37,481	-	-	-	37,481
Trade and other receivables	141,305	-	-	-	141,305
Amortised cost asset	290	290	908	74,930	76,418
Interest rate derivatives	20,384	20,564	16,635	-	57,583
Total financial assets	199,460	20,854	17,543	74,930	312,787
Financial liabilities:					
Bank borrowings	81,545	94,080	549,575	-	725,200
Trade payables and other payables	22,469	-	-	-	22,469
Total financial liabilities	104,014	94,080	549,575	-	747,669
As at 30 June 2022	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	51,200	-	-	-	51,200
Trade and other receivables	1,430	-	-	-	1,430
Amortised cost asset	290	290	870	76,415	77,865
Rent guarantees	283	-	-	-	283
Interest rate derivatives	-	843	4,271	-	5,114
Total financial assets	53,203	1,133	5,141	76,415	135,892
Financial liabilities:					
Bank borrowings	9,335	205,679	156,510	-	371,524
Trade payables and other payables	8,958	-	-	-	8,958
Interest rate derivatives	-	-	-	-	-
Total financial liabilities	18,293	205,679	156,510	-	380,482

21. Categories of financial instruments continued

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 on secured facilities 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.

At 30 June 2023, the capital structure of the Group consisted of bank borrowings (note 20), 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 22 and 23).

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

	Total bank borrowings £'000	Interest and commitment fees payable £'000	Interest rate derivatives £'000	Total £'000
As at 1 July 2022	348,546	1,939	(5,114)	345,371
Cash flows:				
Debt drawdowns in the year	912,114	-	-	912,114
Debt repayments in the year	(598,486)	-	-	(598,486)
Interest and commitment fees paid	-	(24,116)	-	(24,116)
Loan arrangement fees paid	(5,010)	-	-	(5,010)
Interest rate premium paid	-	-	(44,255)	(44,255)
Interest rate derivative disposal	-	-	2,878	2,878
Non-cash movements:				
Finance costs in the statement of comprehensive income	10,301	29,014	(22,806)	16,509
Fair value changes	-	-	11,714	11,714
As at 30 June 2023	667,465	6,837	(57,583)	616,719
As at 1 July 2021	409,684	1,634	447	411,765
Cash flows:				
Debt drawdowns in the year	402,922	-	-	402,922
Debt repayments in the year	(464,029)	-	-	(464,029)
Interest and commitment fees paid	-	(10,527)	-	(10,527)
Loan arrangement fees paid	(2,188)	-	-	(2,188)
Non-cash movements:				
Finance costs in the statement of comprehensive income	2,157	10,832	5	12,994
Fair value changes	-	-	(5,566)	(5,566)
At 30 June 2022	348,546	1,939	(5,114)	345,371

Movements in respect to share capital are disclosed in note 22 below.

The interest and commitment fees payable are included within the corporate accruals balance in note 18. 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 liabilities can be found in note 19.

22. 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 2022	1,239,868,420	12,399	494,174	778,859	1,285,432
Scrip Dividends issued and fully paid – 22 August 2022	1,898,161	19	2,316	–	2,335
Scrip Dividends issued and fully paid – 16 November 2022	866,474	9	869	–	878
Scrip Dividends issued and fully paid – 23 February 2023	729,198	7	721	–	728
Scrip Dividends issued and fully paid – 26 May 2023	2,876,932	28	2,395	–	2,423
Share issue costs	–	–	(89)	–	(89)
Dividend paid in the period (note 11)	–	–	–	(74,328)	(74,328)
As at 30 June 2023	1,246,239,185	12,462	500,386	704,531	1,217,379
As at 1 July 2021	810,720,168	8,107	778,859	–	786,966
Scrip Dividends issued and fully paid – 20 August 2021	300,468	3	348	–	351
Ordinary shares issued and fully paid – 22 October 2021	173,913,043	1,740	198,261	–	200,001
Scrip dividends issued and fully paid – 16 November 2021	500,750	5	578	–	583
Share premium cancelled during the year and transferred to capital reduction reserve	–	–	(778,859)	778,859	–
Scrip dividends issued and fully paid – 25 February 2022	111,233	1	136	–	137
Ordinary shares issued and fully paid – 29 April 2022	253,492,160	2,535	304,191	–	306,726
Scrip dividends issued and fully paid – 27 May 2022	830,598	8	1,026	–	1,034
Share issue costs	–	–	(10,366)	–	(10,366)
As at 30 June 2022	1,239,868,420	12,399	494,174	778,859	1,285,432

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

Scrip dividends were issued on 22 August 2022, 16 November 2022, 23 February 2023 and 26 May 2023 at a reference price of £1.23, £1.01, £1.00 and £0.84 per share respectively. The Company issued a combined total of 6,370,765 shares under the scrip dividend programme during the year. The consideration received (net of share issue costs) in excess of the par value of the ordinary shares issued of £6.3 million was credited to the share premium reserve.

Ordinary Shareholders are entitled to all dividends declared by the Company and to all of 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 2023 total was 1.25 billion.

23. Reserves

The nature and purpose of each of the reserves included within equity at 30 June 2023 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 recognised in the statement of comprehensive income.

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

24. Capital commitments

The Group had no capital commitments outstanding as at 30 June 2023 and 30 June 2022.

25. 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 2023 is 13.6 years (2022: 15.1 years). The leases contain predominately fixed or inflation-linked uplifts.

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

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Year 1	100,156	77,438
Year 2	98,941	77,831
Year 3	98,614	77,088
Year 4	97,552	76,861
Year 5	97,177	75,994
Year 6-10	452,219	375,951
Year 11-15	310,150	290,613
Year 16-20	94,875	127,574
Year 21-25	23,358	25,144
More than 25 years	12,743	14,846
Total	1,385,785	1,219,340

26. Net asset value per share

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

The European Public Real Estate Association (EPRA) publishes guidelines for the calculation of three measures of NAV to enable consistent comparisons between property companies, which were updated in the prior year and took effect from 1 January 2020. The Group uses EPRA Net Tangible Assets ("EPRA NTA") as the most meaningful measure of long-term performance and the measure which is being adopted by the majority of UK REITs, establishing it as the industry standard benchmark. It excludes items that are considered to have no impact in the long-term, such as the fair value of derivatives.

NAV and EPRA NTA per share calculation are as follows:

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Net assets per the consolidated statement of financial position	1,217,726	1,432,455
Contractual fulfilment intangible assets	-	(93)
Fair value of financial assets at amortised cost	(3,609)	(666)
Fair value of interest rate derivatives	(57,583)	(5,114)
EPRA NTA	1,156,534	1,426,582
Ordinary shares in issue at 30 June	1,246,239,185	1,239,868,420
NAV per share - Basic and diluted (pence)	98p	116p
EPRA NTA per share (pence)	93p	115p

27. Transactions with related parties

Details of the related parties to the Group in the year and the transactions with these related parties were as follows:

a. Directors

Directors' fees

Nick Hewson, Chair of the Board of Directors of the Company, is paid fees of £75,000 per annum, with the other Directors each being paid fees of £52,500 per annum. Jon Austen is paid an additional £9,000 per annum for his role as chair of the Company's Audit Committee, Vince Prior is paid an additional £4,000 per annum for his role as chair of the Company's Nomination Committee and £5,000 for his role as Senior Independent Director. Cathryn Vanderspar is paid an additional £5,000 for her role as Chair of the Remuneration Committee. Frances Davies is paid an additional £5,000 for her role as Chair of the ESG Committee.

The total remuneration payable to the Directors in respect of the current year and previous year are disclosed in note 7.

27. Transactions with related parties continued

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 2023 were as follows:

- Nick Hewson: 1,263,309 shares (0.11% of issued share capital)
- Jon Austen: 305,339 shares (0.02% of issued share capital)
- Vince Prior: 213,432 shares (0.02% of issued share capital)
- Cathryn Vanderspar: 125,802 (0.01% of issued share capital)
- Frances Davies: 24,774 (0.00% of issued share capital)
- Sapna Shah: 28,951 (0.00% of issued share capital)

Details of the direct and indirect interest of the Directors and their close families in the ordinary shares of one pence each in the Company at the date of signing the accounts were as follows:

- Nick Hewson: 1,263,309 shares (0.11% of issued share capital)
- Jon Austen: 305,339 shares (0.02% of issued share capital)
- Vince Prior: 213,432 shares (0.02% of issued share capital)
- Cathryn Vanderspar: 125,802 (0.01% of issued share capital)
- Frances Davies: 36,774 (0.00% of issued share capital)
- Sapna Shah: 28,951 (0.00% of issued share capital)

b. Investment Adviser

Investment advisory and accounting 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 14 July 2021.

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 uninvested 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 £1,500 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, 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 and 1/12th of 0.4875% per calendar month of Adjusted Net Asset Value above £1,000 and up to or equal to £1,500 million.
- Semi-Annual Management Fee payable semi-annually in arrears: 0.11875% of Adjusted Net Asset Value up to or equal to £500 million, 0.09375% of Adjusted Net Asset Value above £500 million and up to or equal to £1,000 million and 0.08125% of Adjusted Net Asset Value above £1,000 million and up to or equal to £1,500 million.

For the year to 30 June 2023 the total advisory fees payable to the Investment Adviser were £10,292,302 (2022: £9,404,938) of which £1,845,144 (2022: £1,446,246) is included in trade and other payables in the consolidated statement of financial position.

The Investment Adviser is also entitled to an annual accounting and administration service fee equal to: £52,788; plus (i) £4,279 for any indirect subsidiary of the Company and (ii) £1,661 for each direct subsidiary of the Company. A full list of the Company and its direct and indirect subsidiary undertakings is listed in Note 13 of these financial statements.

For the year to 30 June 2023 the total accounting and administration service fee payable to the Investment Adviser was £297,475 (2022: £237,559) of which £83,614 (2022: £81,833) 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:

- Commission basis: 1% of total subscription in respect of ordinary shares subscribed for by any prospective investor introduced by Atrato Partners.

For the year to 30 June 2023 the total introducer fees payable to the affiliate of the Investment Adviser were £nil (2022: £271,239).

27. Transactions with related parties continued

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 2023 were as follows:

- Ben Green: 1,876,376 shares (0.15% of issued share capital)
- Steve Windsor: 1,698,928 shares (0.14% of issued share capital)
- Steven Noble: 232,255 shares (0.02% of issued share capital)
- Natalie Markham: 62,679 shares (0.01% of issued share capital)

Carried interest held in the Group's joint venture

Under the terms of the Horner (Jersey) LP (the "JV") Limited Partnership Agreement ("LPA"), an affiliate of the Investment Adviser, Atrato Halliwell Limited (the "Carry Partner"), had a carried interest entitlement over the investment returns from the JV's investment in the Structure. Further details regarding the estimated value of the Carry Partner's interest in the JV are included in note 14.

Carried interest payments are only payable to the extent that distributions are made from the JV to the Group. On the acquisition of the additional Joint Venture interest during the year, the carried interest was considered to have crystallised and became payable. £7.5 million was paid in relation to the settlement of the carry interest of the additional joint venture interest acquired during the year and was recognised as a financing cashflow within the cashflow statement. The existing interest of £7.5 million payable is included in corporate accruals within Note 18 and was settled subsequent to the year end.

c. Other related parties

During the year, SUPR Green Energy Limited received a credit note from Evo Energy Limited for solar panels purchased in June 2021 of £155,142.52. These panels that were being held by Evo Energy Limited were sold to Sonne Solar Limited, a subsidiary of Atrato Onsite Energy PLC, a company is advised by an affiliate of the Investment Adviser. As 30 June 2023, the balance was still outstanding, and was received in cash after the year end.

28. Subsequent events

Debt financing

- In July 2023, the Group cancelled its £62.1 million unsecured term loan with the unsecured banking syndicate.
- In September 2023, the Group announced that its £150.0 million revolving credit facility with HSBC was refinanced with a new £50.0 million, secured three-year RCF with a £75 million accordion option. The new facility has two one-year extension options and a margin of 170 bps over SONIA.
- In September 2023, the Group announced the cancellation of the Barclays/RBC facility of £77.5 million.
- In September 2023, the Group announced the arrangement of a new £67.0 million unsecured term loan facility with SMBC Bank International PLC at a margin of 1.4% over SONIA. The term of the loan is for three-years with two further one-year extension options.
- In September 2023, the Group extended £50.0 million of its £100.0 million unsecured term loan with the unsecured banking syndicate by one year to July 2026.

Hedging

In September 2023, the Group adjusted its interest rate derivatives held at the year end to extend the maturity of the derivatives by 12 months. The Group's drawn debt is fully hedged at an interest rate of 3.1% (including margin) with a weighted average debt term of 4 years (including extension options).

Acquisitions

In July 2023, the Group announced the acquisition of two Sainsbury's stores from the SRP for £36.4 million (excluding acquisition costs). Sainsbury's entered into new 15-year leases on these stores with five-yearly open market rent reviews and a tenant break option at year 10.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

Registered number: 10799126

	Notes	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Non-current assets			
Investments in subsidiaries	D	1,564,226	1,329,108
Interest rate derivatives		29,318	-
Total non-current assets		1,593,544	1,329,108
Current assets			
Interest rate derivatives		13,397	-
Trade and other receivables	E	11,412	41,201
Cash and cash equivalents		2,928	23,413
Total current assets		27,737	64,614
Total assets		1,621,281	1,393,722
Current liabilities			
Bank Borrowings	G	61,856	-
Trade and other payables	F	127,027	44,603
Total current liabilities		188,883	44,603
Current liabilities			
Bank borrowings	G	315,873	-
Total liabilities		504,756	44,603
Total net assets		1,116,525	1,349,119
Equity			
Share capital	H	12,462	12,399
Share premium reserve		500,386	494,174
Capital reduction reserve		704,531	778,859
Retained earnings		(100,854)	63,687
Total equity		1,116,525	1,349,119

The notes on pages 144-145 form part of these financial statements.

The Company has taken advantage of the exemption within section 408 of the Companies Act 2006 not to present its own profit and loss account. The accumulated loss for the year dealt with the financial statements of the Company was £164,541,000 (2022: profit £67,411,000). As at 30 June 2023 the Company has distributable reserves of £603.7 million (2022: £842.5 million).

The Company financial statements were approved and authorised for issue by the Board of Directors on 19 September 2023 and were signed on its behalf by

Nick Hewson

Chair

19 September 2023

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
As at 1 July 2022	12,399	494,174	778,859	63,687	1,349,119
Loss and total comprehensive loss for the year	-	-	-	(164,541)	(164,541)
Transactions with owners					
Ordinary shares issued at a premium during the year	63	6,301	-	-	6,364
Transfer to capital reduction reserve					
Share issue costs	-	(89)	-	-	(89)
Interim dividends paid	-	-	(74,328)	-	(74,328)
As at 30 June 2023	12,462	500,386	704,531	(100,635)	1,116,525

	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
As at 1 July 2021	8,107	778,859	-	49,466	836,432
Profit and total comprehensive income for the year	-	-	-	67,411	67,411
Transactions with owners					
Ordinary shares issued at a premium during the year	4,292	504,540	-	-	508,832
Transfer to capital reduction reserve	-	(778,859)	778,859	-	-
Share issue costs	-	(10,366)	-	-	(10,366)
Interim dividends paid	-	-	-	(53,190)	(53,190)
As at 30 June 2022	12,399	494,174	778,859	63,687	1,349,119

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A. Basis of preparation

The Company's financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The principal accounting policies relevant to the Company are as follows:

- Investments in subsidiaries are recognised at cost less provision for any impairment;
- Loans and receivables are recognised initially at fair value plus transaction costs less provision for impairment;
- Trade payables are recognised initially at fair value and subsequently at amortised cost;
- Equity instruments are recognised as the value of proceeds received net of direct issue costs; and
- Dividends are recognised as a financial liability and deduction from equity in the period in which they are declared.

In preparing the Company's financial statements, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented;
- Disclosures in respect of the Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group;
- No reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as it is identical to the reconciliation for the Group shown in note 22 to the Group financial statements; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is shown in note 7 to the Group financial statements.

In the year to 30 June 2024, the Company intends to continue to use these disclosure exemptions unless objections are received from Shareholders.

B. Significant accounting judgements, estimates and assumptions

In preparing the financial statements of the Company, the Directors have made the following judgements:

- Determine whether there are any indicators of impairment of the investments in subsidiary undertakings. Factors taken into consideration in reaching such a decision include the financial position and expected future performance of the subsidiary entity. Where indicators of impairment are identified the carrying value of investments in subsidiaries will be compared to their recoverable amount and an impairment charge recognised where this is lower than carrying value. The net asset value of the individual subsidiary entities is considered to be a reasonable proxy for fair value less costs to sell as the underlying investment properties held within these entities is carried at fair value.

C. Auditor's remuneration

The remuneration of the auditor in respect of the audit of the Company's consolidated and individual financial statements for the year was £260,000 (2022: £190,000). Fees payable for audit and non-audit services provided to the Company and the rest of the Group are disclosed in note 6 to the Group financial statements.

D. Investment in subsidiary undertakings

The Company's wholly owned direct subsidiaries are Supermarket Income Investments UK Limited, Supermarket Income Investments (Midco2) UK Limited, Supermarket Income Investments (Midco3) UK Limited, Supermarket Income Investments (Midco4) UK Limited, Supermarket Income Investments (Midco6) UK Limited, SII UK Halliwell (Midco) Limited, SUPR Finco Limited and SUPR Green Energy Limited, all of which are incorporated and operating in England with a registered address of 1 King William Street, London, United Kingdom, EC4N 7AF. The full list of subsidiary entities directly and indirectly owned by the Company is disclosed in note 13 to the Group financial statements.

The movement in the year was as follows:

	Year to 30 June 2023 £'000
Opening balance	1,329,108
Additions	1,066,634
Closing balance	2,395,742
Impairments of investments in subsidiaries	(831,516)
As at 30 June 2023	1,564,226

	Year to 30 June 2022 £'000
Opening balance	760,767
Additions	871,692
Closing balance	1,632,459
Impairments of investments in subsidiaries	(303,351)
As at 30 June 2022	1,329,108

An impairment of investments in subsidiaries was recognised during both the current and previous year following the payment of upstream dividends to the Company. Following the payment of dividends, the net assets of certain dividend-paying subsidiaries no longer support the carrying value of the Company's investment in those entities and thus an impairment charge was recognised to bring the carrying value of the investments in line with the recoverable amount, which was also considered to be its value in use.

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
E. Trade and other receivables		
Intercompany receivables	9,345	40,380
Prepayments and accrued income	223	163
Corporation tax receivable	-	-
VAT receivable	-	-
Other receivables	1,844	658
Total trade and other receivables	11,412	41,201

F. Trade and other payables

Trade creditors	2,235	898
Corporate accruals	5,122	525
VAT payable	114	28
Intercompany payables	119,556	43,152
Total trade and other payables	127,027	44,603

G. Bank Borrowings

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Amounts falling due within one year:		
Unsecured debt	62,090	-
Less: Unamortised finance costs	(234)	-
Bank borrowings per the Company's statement of financial position	61,856	-

Amounts falling due after more than one year:

Unsecured debt	318,508	-
Less: Unamortised finance costs	(2,635)	-
Bank borrowings per the Company's statement of financial position	315,873	-
Total bank borrowings	377,729	-

Any associated fees in arranging the bank borrowings that are unamortised as at the end of the year are offset against amounts drawn under the facility as shown in the table above.

Details of the bank borrowings of the Company are disclosed in note 20 to the Group financial statements.

H. Share capital

Details of the share capital of the Company are disclosed in note 22 to the Group financial statements.

I. Related party transactions

Details of related party transactions are disclosed in note 27 to the Group financial statements.

UNAUDITED SUPPLEMENTARY INFORMATION

Notes to EPRA and other Key Performance Indicators

1. EPRA Earnings and Adjusted Earnings per Share

For the period from 1 July 2022 to 30 June 2023	Net profit attributable to ordinary Shareholders £'000	Weighted average number of ordinary shares ¹ Number	Earnings/ per share Pence
Net (loss)/profit attributable to ordinary Shareholders	(144,866)	1,242,574,505	(11.7)
<i>Adjustments to remove:</i>			
Changes in fair value of investment properties and associated rent guarantees	256,066	-	20.6
Changes in fair value of interest rate derivatives measured at FVTPL	(10,024)	-	(0.8)
Profit on disposal of interest rate derivatives	(2,878)	-	(0.2)
Group share of changes in fair value of joint venture investment properties	(11,486)	-	(0.9)
Profit on disposal of groups interest in joint venture	(19,940)	-	(1.6)
Finance income received on interest rate derivatives held at fair value through profit and loss	(9,671)	-	(0.8)
EPRA earnings	57,201	1,242,574,505	4.6
Add finance income received on interest rate derivatives held at fair value through profit and loss	9,671	-	0.8
Add accelerated finance costs	1,518	-	0.1
Add Joint Venture acquisition loan arrangement fee	4,009	-	0.3
Adjusted EPRA earnings	72,399	1,242,574,505	5.8

1 Based on the weighted average number of ordinary shares in issue in the year ended 30 June 2023.

For the period from 1 July 2021 to 30 June 2022	Net profit attributable to ordinary Shareholders £'000	Weighted average number of ordinary shares ² Number	Earnings/ per share Pence
Net profit attributable to ordinary Shareholders	115,869	975,233,858	11.9p
<i>Adjustments to remove:</i>			
Changes in fair value of interest rate derivatives	(5,566)	-	(0.6p)
Changes in fair value of investment properties and associated rent guarantees	(21,820)	-	(2.2p)
Group share of changes in fair value of joint venture investment properties	6,021	-	0.6p
Group share of negative goodwill from joint venture investment	(37,102)	-	(3.8p)
EPRA EPS	57,402	975,233,858	5.9p

2 Based on the weighted average number of ordinary shares in issue in the year ended 30 June 2022.

2. EPRA NTA per share

EPRA NTA is considered to be the most relevant measure for the Group and is now the primary measure of net assets, replacing the previously reported EPRA Net Asset Value metric. For the current period EPRA NTA is calculated as net assets per the consolidated statement of financial position excluding the fair value of interest rate derivatives.

30 June 2023	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to ordinary Shareholders	1,217,726	1,217,726	1,217,726
Fair value of Financial asset held at amortised cost	(3,609)	(3,609)	(3,609)
Fair value of interest rate derivatives	(57,583)	(57,583)	-
Intangibles	-	-	-
Purchasers' costs	-	122,990	-
Fair value of debt	-	-	4,876
EPRA metric	1,156,534	1,279,524	1,218,993
EPRA metric per share	93p	103p	98p

30 June 2022	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to ordinary Shareholders	1,432,455	1,432,455	1,432,455
Fair value of interest rate derivatives	(5,114)	(5,114)	-
Fair value of Financial asset held at amortised cost	(666)	(666)	(666)
Intangibles	(93)	-	-
Purchasers' costs	-	113,935	-
Fair value of debt	-	-	4,320
EPRA metric	1,426,582	1,540,610	1,436,109
EPRA metric per share	115p	124p	116p

3. EPRA Net Initial Yield (NIY) and EPRA "topped up" NIY

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Investment Property – wholly owned (note 12)	1,685,690	1,561,590
Investment Property – share of joint ventures	-	266,500
Completed Property Portfolio	1,685,690	1,828,090
Allowance for estimated purchasers' costs	122,990	133,380
Grossed up completed property portfolio valuation (B)	1,808,680	1,961,470
Annualised passing rental income – wholly owned	99,910	77,230
Annualised passing rental income – share of joint venture	-	13,372
Annualised non-recoverable property outgoings	(1,117)	(400)
Less: contracted rent under rent free periods	-	-
Annualised net rents (A)	98,793	90,202
Rent expiration of rent-free periods and fixed uplifts	447	56
Topped up annualised net rents (C)	99,240	90,258
EPRA NIY (A/B)	5.46%	4.60%
EPRA "topped up" NIY (C/B)	5.49%	4.60%

All rent free periods expire within the year to 30 June 2024

4. EPRA Vacancy Rate

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
EPRA Vacancy Rate		
Estimated rental value of vacant space	439	188
Estimated rental value of the whole portfolio	100,797	77,237
EPRA Vacancy Rate	0.4%	0.2%

The EPRA vacancy rate is calculated as the ERV of the unrented, lettable space as a proportion of the total rental value of the direct Investment Property portfolio. This is expected to continue to be a highly immaterial percentage as the majority of the portfolio is let to the largest supermarket operators in the UK.

UNAUDITED SUPPLEMENTARY INFORMATION CONTINUED**5. EPRA Cost Ratio**

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Administration expenses per IFRS	15,429	13,937
Service charge income	(5,939)	(2,086)
Service charge costs	6,518	2,338
Net Service charge costs	579	252
Share of joint venture expenses	938	95
Total costs (including direct vacant property costs) (A)	16,946	14,284
Vacant property costs	(328)	(99)
Total costs (excluding direct vacant property costs) (B)	16,618	14,185
Gross rental income per IFRS	95,823	72,363
Less: service charge components of gross rental income	-	-
Add: Share of Gross rental income from Joint Ventures	13,529	14,423
Gross rental income (C)	109,352	86,786
EPRA Cost ratio (including direct vacant property costs) (A/C)	15.50%	16.46%
EPRA Cost ratio (excluding vacant property costs) (B/C)	15.20%	16.34%

1. The Company does not have any overhead costs capitalised as it has no assets under development.

6. EPRA LTV

The Group voluntarily adopted the EPRA issued new best practice reporting guidelines in the year ending 30 June 2023, incorporating the new measure of loan to value: EPRA Loan-to-Value (EPRA LTV) and is defined as net debt divided by total property market value.

The table below illustrates the reconciliation of the numbers under the new measures, where prior year comparative figures have also been restated in line with the new EPRA methodology.

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Group Net Debt		
Borrowings from financial institutions	667,465	348,546
Net payables	-	24,893
Less: Cash and cash equivalents	(37,481)	(51,200)
Group Net Debt Total (A)	629,984	322,239
Group Property Value		
Investment properties at fair value	1,685,690	1,561,590
Intangibles	-	93
Net receivables	93,620	-
Financial assets	10,819	10,626
Total Group Property Value (B)	1,790,129	1,572,309
Group LTV (A-B)	35.19%	20.49%
Share of Joint Ventures Debt		
Bond loans	-	88,121
Net payables	-	822
JV Net Debt Total (A)	-	88,943
Group Property Value		
Owner-occupied property		
Investment properties at fair value	-	277,407
Total JV Property Value (B)	-	277,407
JV LTV (A-B)	0.00%	32.06%
Combined Net Debt (A)	629,984	411,182
Combined Property Value (B)	1,790,129	1,849,717
Combined LTV (A-B)	35.19%	22.23%

7. EPRA Like-for-Like Rental Growth

Sector	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000	Like-for-Like rental growth %
UK	62,688	61,059	2.7%

The like-for-like rental growth is based on changes in net rental income for those properties which have been held for the duration of both the current and comparative reporting. This represents a portfolio valuation, as assessed by the valuer of £ 1.03 billion (30 June 2022: £1.19 billion).

UNAUDITED SUPPLEMENTARY INFORMATION CONTINUED

8. EPRA Property Related Capital Expenditure

Group	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Acquisitions	377,311	388,696
Development		
Investment properties		
Group Total CapEx	377,311	388,696
Joint Venture		
Acquisitions	-	-
Development	-	-
Investment properties	-	-
Joint Venture CapEx	-	-
Total CapEx	377,311	388,696

Acquisitions relate to purchase of investment properties in the year and includes capitalised acquisition costs. There has been no capital expenditure on the investment properties within the portfolio and no capitalised development expenditure has been incurred in the year or prior year.

9. Total Shareholder Return

Total Shareholder Return	Year to 30 June 2023 Pence per share (‘p’)	Year to 30 June 2022 Pence per share (‘p’)
Share price at the start of the year	119.50	117.50
Share price at the end of the year	73.00	119.50
Increase in share price	(46.50)	2.00
Dividends declared for the year	6.00	5.94
Increase in share price plus dividends	(40.50)	7.94
Share price at start of year	119.50	117.50
Total Shareholder Return	(34%)	7%

10. Net loan to value ratio

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

Net loan to value	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Bank borrowings	667,465	348,546
Less cash and cash equivalents	(37,481)	(51,200)
Net borrowings	629,984	297,346
Investment properties valuation	1,685,690	1,561,590
Net loan to value ratio	37%	19%

11. Annualised passing rent

Annualised passing rent is the annualised cash rental income being received as at the stated date.

GLOSSARY

AGM	Annual General Meeting
AIFMD	Alternative Investment Fund Managers Directive
Direct Portfolio	Wholly Owned Properties held by the Group
EPRA	European Public Real Estate Association
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	UK adopted accounting standards in conformity with the requirements of the Companies Act 2006
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
Sainsbury's Reversion Portfolio (SRP)	A portfolio consisting of the freehold interest in 26 geographically diverse high-quality Sainsbury's supermarkets
Total Shareholder Return (TSR)	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

CONTACTS INFORMATION

Directors	Nick Hewson (Non-Executive Chair) Vince Prior (Chair of Nomination Committee & Senior Independent Director) Jon Austen (Chair of Audit Committee) Cathryn Vanderspar (Chair of Remuneration Committee) Frances Davies (Chair of ESG Committee) Sapna Shah (Chair of Management Engagement Committee)
Company Secretary	Hanway Advisory 1 King William Street, London, EC4N 7AF
Registrar	Link Asset Services The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
AIFM	JTC Global AIFM Solutions Limited Ground floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, Channel Islands, GY1 2HT
Investment Adviser	Atrato Capital Limited 36 Queen Street, London, EC4R 1BN
Financial adviser, Joint Corporate Broker and Placing Agent	Stifel Nicolaus Europe Limited 150 Cheapside, London, EC2V 6ET
Joint Corporate Broker	Goldman Sachs International Plumtree Court, 25 Shoe Lane, London, EC4A 4AU
Auditors	BDO LLP 55 Baker Street, London, W1U 7EU
Property Valuers	Cushman & Wakefield 125 Old Broad Street, London, EC2N 1AR
Financial PR Advisers	FTI 200 Aldersgate Street, London, EC1A 4HD
Website	www.supermarketincomereit.com
Registered Office	1 King William Street, London, United Kingdom, EC4N 7AF
Stock exchange ticker ISIN	SUPR GB00BF345X11

This report will be available on the Company's website.



TESCO

SUPR ○○○
SUPERMARKET INCOME REIT

Supermarket Income REIT plc
1 King William Street,
London,
United Kingdom,
EC4N 7AF
www.supermarketincomereit.com